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**RESPONDING TO COMPLEXITY:
A SYSTEMS APPROACH TO STRATEGY AND
INTERORGANIZATIONAL NETWORKS
IN THE CONTEXT OF THIRD SECTOR ORGANIZATIONS**

ANA M. SIMAENS

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Proefschrift

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PREFACE AND ACKNOWLEDGMENTS

"The more you learn, the more acutely aware you become of your ignorance"

(Senge, 2006, p. 10)

This may well be the biggest lesson from my PhD process: The more *I* learned, the more acutely aware *I* became of *my* ignorance... This was a blessing, rather than a disappointment during the highs; but admittedly frustrating during the lows of this roller coaster of emotions that my life has turned into since I embarked on this journey.

Also, a disclaimer must be made: This thesis reflects my knowledge at the moment I submit it. Much more could have been said and done. Much has been done by others, which I may have missed in the process. Nevertheless, experienced scholars kept telling me that this is the starting point of a hopefully long journey, not an end in itself. At a certain point in time, I had to believe that was true... I hope to keep learning, and improving my abilities as a scholar throughout my life.

Having arrived *here*, I would like to express my gratitude to several people that have in one way or another helped me make this possible. Being aware that I cannot list them all, I will highlight some of them.

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In reality, this journey started long before I started the PhD. I would position its beginning in 2002, when I entered academia to work with Isabel Nicolau and Nelson António in the Strategy team at ISCTE. Since then, my curiosity and enthusiasm for research has only grown. My interest in the field of strategic management in general, and in the context of the third sector in particular, was fostered in the many fruitful discussions we had in the team. Undoubtedly, the early work on third sector organizations with Isabel was determining to this whole process. You were not only a tutor, but also mainly a friend, and whenever needed, a 'psychologist' as well.

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Something else that I have learned during this process is the crucial role played by emotions. And this is where many of those mentioned above also helped. Besides them, I would like to leave a special word to my friends who have accompanied this long process. I would particularly highlight Catarina, Alexandra, Carlos, Madalena, and Manuela but many others have also been important in this phase of my life.

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LIST OF ACRONYMS

CLAS – Local Social Work Council (*Conselho Local de Ação Social*)

CSF – Parish Welfare Board (*Comissão Social de Freguesia*)

EA – Entrajuda

FBAH – Food Banks Against Hunger

NAO – Network Administrative Organization

NGO – Non-governmental Organization

TSO – Third Sector Organization

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1. GENERAL INTRODUCTION

We fail more often because we solve the wrong problem than because we get the wrong solution to the right problem

(Ackoff, 1974, p. 2)

1.1. INTRODUCTION

1.1.1.A Glimpse at networks: the cases of ENTRAJUDA and Rede Social

ENTRAJUDA

The Portuguese Food Bank Against Hunger (FBAH) started in Lisbon in 1990 and has since spread its activities throughout the country. For decades, the FBAH gained experience of working with other Third Sector Organizations (TSOs), namely the nonprofit organizations through which it was able to provide its support to the communities, and which were active in a range of overlapping areas that addressed various aspects of poverty. In the course of the years, FBAH became aware that many of the TSOs it worked with lacked managerial capabilities.

As a result, in 2004, people linked to the FBAH established a Portuguese TSO - ENTRAJUDA (EA) - to enhance the capabilities of the TSOs they supported, in order to make them more effective and efficient in the delivery of their mission. EA was thus set up as a response with a twofold mission: “to strengthen the nonprofit sector, namely social solidarity institutions, by making accessible the means and resources required to allow them to exercise actions in the areas of social inclusion and the fight against poverty”; and “to mobilize people of goodwill for a structured civil intervention in fighting poverty” (ENTRAJUDA, 2008, p. 2). EA furthermore worked as an intermediate organization, providing a bridge between companies and individuals that wanted to support social care, and TSOs that delivered social care among other activities.

EA’s intended role thus reflects part of the challenges that TSOs in Portugal have faced in the last decades, particularly the organizations providing social services to the

community¹. These challenges include, among others: the increasing need for alternative funding sources so as to rely less on public funding; the quest for greater efficiency and effectiveness in their mission pursuit; and the pressure for more management professionalism. At the same time, TSOs have also increasingly been challenged to collaborate with organizations from the various sectors, i.e. nonprofit, public, and private for-profit. Indeed, years after its creation, EA was managing a large serendipitous network of actors, which included companies, TSOs, and volunteers. Interviewed actors identified complex sets of interconnections and interrelationships among them and recognized the role of the network in addressing problems such as poverty.

REDE SOCIAL

Rede Social is a Portuguese cross-sector interorganizational network that operates for the promotion of social development; seeking a holistic approach to social intervention, namely in the area of social exclusion and the context of fighting poverty. This network was created in Portugal in 1997 as a result of a Governmental resolution and has progressively been institutionalized² in the Portuguese context (IESE, 2012b). Fifteen years after its creation, *Rede Social* encompassed nearly 280 municipal networks spread throughout the country (IESE, 2012b), which included mostly TSOs, local government, and public entities. This *Rede Social* network program has particular features that make it rather unique (IESE, 2012a, 2012b). It comprises public and private organizations that have voluntarily come together to solve various social problems, such as social exclusion, poverty, education, or poor housing conditions, in a specific area. The *Rede Social* networks are distributed at the local geographical level, following principles such as subsidiarity, i.e., that the decision power and delivery of services should be as close as possible to the problems being addressed.

This institutionalized form of interorganizational network reflects the increasing call for more cooperation between actors in order to address social issues. The fact that the *Rede Social* program was created by governmental initiative, the way it was structured, and its formal allocation to public authorities and local government created pressure for the

¹ Community is used in this dissertation as a general term to refer to the communities wherein the organizations are located and that are potentially served by these organizations

² RCM n° 197/97 (Resolution of the Council of Ministers 197/97), followed by DN 8/2002 (Legislative Order 8/2002) and DL n° 115/2006 (Law decree 115/2006).

intervening actors, be they TSOs, local government, or public entities, to work collaboratively.

These brief accounts of two case studies in Portugal introduce the type of networks explored in this dissertation. Further details on each of these cases are presented in chapters three through five, which describe how TSOs in Portugal have been responding to different types of complexity. The evidence presented from these TSOs suggests that the problem of complexity has been shaping the arrangements through which TSOs function and work together with others within their networks. The data further suggests that complexity is increasingly influencing the work of TSOs, their mission and their strategy making.

The next section explains the concept of third sector, which is the specific organizational context within which this manuscript is bounded.

1.1.2. The third sector and its peculiarities

The so-called ‘third sector’ comprises organizations that do not seek profit like private firms, but do not belong to the state either (Pestoff, 1998); and has increasingly been recognized as an important engine for economies worldwide. This sector includes a wide range of nonprofits, associations, NGOs, and foundations, commonly associated to the term nonprofit in Anglo-Saxon contexts, but also mutual benefit societies and cooperatives.

In general, these nonprofit oriented organizations can be classified in terms of their approach as: i) ‘campaigning’, which includes campaigning organizations and political parties; ii) ‘mutual support’, which refers to organizations such as trade unions, professional associations and cooperatives; or as iii) ‘service-providing organizations’, comprising most voluntary organizations, housing associations, and arts organizations, for instance (Handy, 1990; Hudson, 2009). The cases explored in this dissertation embrace predominantly service-providing TSOs. Considering the various areas where these organizations act, education, the social services, culture, and health are the most prominent (Anheier, 2005; Anheier & Salamon, 2006; Salamon, Sokolowski, & Associates, 2004).

According to the largest study conducted on the sector worldwide, the ‘Johns Hopkins Comparative Nonprofit Sector Project’, by the noughties, the size of the nonprofit sector³ - which excludes some of the organizations in the wider concept of third sector – was such, that it would have represented the seventh largest economy in the world if it were a separate national economy (Salamon et al., 2004). At that time, the sector represented almost 50 million full-time equivalent workers in 36 countries⁴ around the world (Salamon et al., 2004). In Portugal, for instance, the most recent official data (INE, 2013) reveals that the Portuguese social economy⁵ - a concept comprising virtually the same type of organizations as the third sector-, accounted for more than 55.000 organizations, that represented about 2.8% of the Gross Value Added and 5.5% of the full-time equivalent workers in the country in 2010. These figures reveal the economic and social importance of this sector, pointing to the relevance of better understanding the sector and the organizations, which operate in this domain.

Given the increasing economic and social significance of the sector to society, the survival and advancement of TSOs takes on crucial importance; and the extent to which these organizations are able to pursue their mission becomes an essential pillar to an economy’s sustainability. This dissertation focuses precisely on such strategic and managerial issues in the TSO domain. The pertinence of conducting research on strategic management in the specific context of TSOs has been raised in the literature. As noted by Helmig, Jegers, and Lapsley (2004), theoretical contributions to strategic management that recognize TSOs as distinctive organizations are scarce. Indeed, in the literature on strategic management in TSOs (for literature reviews, please consider Domański, 2011; Stone, Bigelow, & Crittenden, 1999; Stone & Crittenden, 1993) there is a body of work comparing TSOs to other sectors (e.g. Kong, 2008; Moore, 2000; Phills, 2005), which shows how tied the literature still is to the mainstream.

³ Salamon and his colleagues use the term "Civil Society Sector", to refer to nonprofits, which captures in general similar but not all organizations included in the broader term "Third Sector". They use this term to refer to organizations that are organized, private, non-profit distributing, self-governing and voluntary (Anheier & Salamon, 2006), which due to the non-profit distributing constraint would exclude cooperatives and mutual organizations, traditional in many European countries.

⁴ Argentina, Australia, Austria, Belgium, Brazil, Canada, Colombia, Czech Republic, Egypt, Finland, France, Germany, Hungary, India, Ireland, Israel, Italy, Japan, Kenya, Mexico, Morocco, Netherlands, Norway, Pakistan, Peru, Philippines, Poland, Portugal, Republic of Korea, Romania, Slovakia, South Africa, Spain, Sweden, Tanzania, Uganda, United Kingdom, United States.

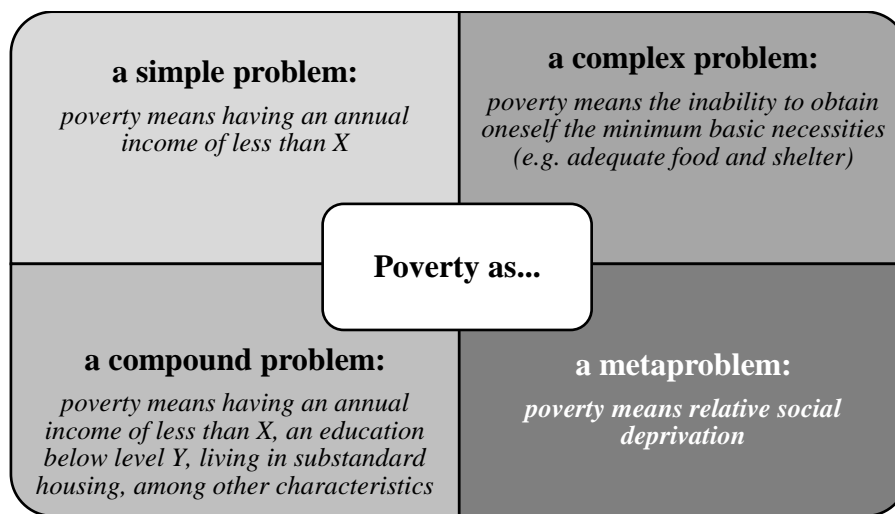
⁵ Social Economy is a Francophone concept, officially used in Portugal and recognized by a law passed in 2013 that comprises organizational forms such as cooperatives and mutual benefit societies excluded from the Anglo-Saxon concept of nonprofit, but also included in the notion of third sector.

The following section presents key concepts related to the type of problems addressed by TSOs, related to their main areas of action.

1.1.3. Metaproblems, wicked problems, and messes

The areas of activity covered by TSOs, the service-providers in particular, address various problems faced by society such as poverty and health. This type of problems have been termed ‘metaproblems’ (Chevalier & Cartwright, 1966), ‘wicked problems’ (Rittel & Webber, 1973), or ‘messes’ (Ackoff, 1974).

‘*Metaproblems*’ have been defined as problems with an unspecified number of incalculable variables. This definition acknowledges that although the problem is perceived to exist, it is not clear which and how many variables there are to define the problem (Cartwright, 1973). When compared to simple, compound and complex problems, a metaproblem is the least precise type (Cartwright, 1973). The difference between metaproblems and complex problems is that although in the case of complex problems the variables are also of an incalculable nature, the number of variables is defined, whereas with metaproblems, it is not (Cartwright, 1973). The example provided by Cartwright (1973) about different ways of looking at the problem of poverty is a useful illustration of this concept (see Figure 1.1). Looking at poverty as a metaproblem implies recognizing that it means relative social deprivation, which goes far beyond ‘simply’ having lower income. This also suggests that metaproblems can be regarded as a socially constructed concept, to the extent that the same problem can be seen in different ways by people.

Figure 1.1 – Poverty defined as different types of problems

Source: Based on Cartwright (1973, p. 184)

‘*Wicked problems*’ have been defined by Rittel and Webber (1973) as problems where solutions are sought out at the same time as actors are trying to define the nature of the problem itself. Among other things, wicked problems are characterised as having no final stage: no solution can be held as ‘right’ or ‘wrong’, because the success of any given solution depends on the vantage point, assumptions and interests of the various actors. Indeed, there is likely not one uniquely definable solution for such problems, and certainly no solution that will endure over time. Poverty is again an example provided to explain this type of problem (Rittel & Webber, 1973). As the authors discuss, finding the problem of poverty is the same as finding the solution since the problem cannot be defined until the solution has been found. For instance, poverty may be related to low income, which may be related to low educational skills, in which case the solution would encompass the educational system; but then one needs to find the problem within the educational system to find the solution, and so on (Rittel & Webber, 1973).

Finally, ‘*messes*’ are seen by Ackoff (1974) as a type of problem faced by any organization operating in a complex field, i.e. a complex system of problems that interact (Flood, 1999).

Table 1.1 presents the definition of these concepts and their main references.

Table 1.1 - Concepts: metaproblems, wicked problems, and messes

Key concept	Definition	References
Metaproblems	Problems with an unspecified number of incalculable variables.	Chevalier, 1966 apud Trist (1983); Trist (1983); Chevalier and Cartwright (1966); Cartwright (1973)
Wicked problems	Problems where solutions are sought out at the same time that actors are trying to define the nature of the problem that needs solutions.	Rittel and Webber (1973)
Messes	A specific problem-type for any organization operating in a complex field, which is seen as a complex system of problems that interact.	Ackoff (1974)

Despite the different labels that have been used in the literature to define problems that are recognized as not completely solvable due to their characteristics, a common feature is that these types of problems involve sets of interconnected problems that can be regarded as systems of problems themselves (Chisholm, 1998; Trist, 1983). It is also recognized that the complexity and interrelatedness of these problems complicate their conceptualization, analysis and resolution (Chisholm, 1998). Indeed, the early literature tended to take a positivist, analytical approach in describing this category of problems; furthermore assuming a more normative, action-oriented stance, of suggesting ways through which such problems might be better addressed (Rittel & Webber, 1973). Indeed, any attempt to address problems such as poverty, health or the environment spans the borders of any single organization's actions and policies, and as such requires organizational actors to approach the development of solutions in particular ways that involve collaboration (Ackoff, 1974, 1999; Chisholm, 1998). There are rarely final solutions or outcomes to these problems. Solutions are at best the least worse option, and invariably temporary (Rittel & Webber, 1973). Next, the concepts of complexity, systems, and networks are introduced.

1.1.4. Complexity, systems and networks

In this subsection, three fundamental and interrelated concepts of this dissertation are introduced: '*complexity*', '*system*', and '*networks*'.

'*Complexity*' is a core concept in this dissertation. In line with Sharfman and Dean (1991) and Mintzberg (1979), complexity refers to the level of complex knowledge needed to understand the environment. It is one of the dimensions used to conceptualize

and measure the environment, along with ‘dynamism and stability’, which refers to the unpredictability of the environment–, and ‘resource availability’ – which relates to the availability of resources in the environment (Sharfman & Dean, 1991). Besides the general concept of complexity, there are specific types of complexity that will be explored in chapter 2.

‘*System*’ has been defined by Ackoff (1974) as a set of interrelated elements, where the system as a whole cannot be divided into independent elements. This is because no single component of a system can function outside of it; and at the same time, the system as a whole has characteristics and abilities which none of its elements alone possess or can carry out.

At this point, it is important to clarify the distinction between ‘system’ and ‘environment’ in the context of this dissertation. These concepts are used in relative terms. In line with Homans (1951, p. 87), depending on the level of analysis, everything that is outside the group or social system under scrutiny, constituted the environment. For instance, if the focus is on small groups such as organizational units, the organization as a whole is seen as the environment. If organizations themselves are the unit of analysis, however, then the environment can be represented by clear boundaries of a formal structured network to which they all belong, the industry, or their geographical location, for example. In such cases, “much intellectual illumination is gained by stating what shall be taken as the boundary of the system – by drawing an imaginary line around it – and then studying the mutual relations between the system and its milieu” (Homans, 1951, p. 86).

Finally, ‘*network*’ can be defined as a set of nodes and ties that represent the existence or not of a relationship between the nodes (Brass, Galaskiewicz, Greve, & Tsai, 2004). The network literature has grown exponentially over the last decades (Borgatti & Foster, 2003; Knoke & Yang, 2008), especially since the year 2000 (Raab & Kenis, 2009). Network research focuses on interactions among actors or nodes, whether they are individual persons or collectivities such as formal and informal organizations (Knoke & Yang, 2008), work units (Brass et al., 2004), an event or collective social entities, for instance (Kilduff & Tsai, 2003; Wasserman & Faust, 1994). A network approach provides an overview of the system of actors, and “allows researchers to

capture the interactions of any individual unit within the larger field of activity to which the unit belongs” (Kilduff & Tsai, 2003, p. 13).

The concept of ‘*complexity*’ is then used in this dissertation as a way to conceptualize the environment wherein TSOs exist and develop their activity. The other two concepts – ‘*systems*’ and ‘*networks*’ – are related, but distinct. Networks can be seen as systems. Interorganizational networks, for instance, are a type of system that exists at a higher level than mere interorganizational relationships (Chisholm, 1998). As the author notes, by acting as abstract conceptual systems, interorganizational networks provide their members with new ways of perceiving and understanding significant problems. Nevertheless, the term system applies to more than just networks, and also includes, for instance, groups (Homans, 1951), corporations, universities and societies, to name just a few social systems (Ackoff, 1999). In this dissertation, networks are also used to operationalize the way certain systems are organized (e.g. in order to analyse systems of problems, we explore how the problems appear interconnected in the discourse of the actors, and subsequently plot them as a network).

1.1.5. Responses to complexity and implications for the strategy of TSOs

As noted before, complexity refers to the level of complex knowledge required to understand the environment (Mintzberg, 1979; Sharfman & Dean, 1991). The literature identifies various organizational responses for dealing with complexity, depending on the type of complexity faced.

For instance, one type of complexity is ‘institutional complexity’. Although beyond the scope of this dissertation, extensive work has been carried out on this type of complexity which is originated by multiple and often competing institutional logics, and the manner in which organizations respond to it (e.g. Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011; Ingram & Simons, 1995; Oliver, 1991; Provan, Isett, & Milward, 2004). Institutional logics provide guidelines on how to interpret reality and behave appropriately in social situations (Greenwood et al., 2011). TSOs are themselves subject to different institutional logics, to which they have to respond. For instance, TSOs may create multiple identities to cope with conflicting environmental pressures caused by changes in the mechanisms through which State contracts are obtained

(Stone, 1996). As another example, TSOs may develop a network response to conflicting institutional pressures coming from changes in State funding mechanisms (Provan et al., 2004).

Another type of complexity is what we have termed ‘problem complexity’, used here to describe the complexity that arises from interdependent problem-sets that are made up of connected problems; for example, health and poverty (Ackoff, 1974; Paarlberg & Bielefeld, 2009; Roome, 2001; Trist, 1983). The complexity and interrelatedness of these problems makes it particularly hard to conceptualize, analyse and solve them (Chisholm, 1998). Furthermore, because these problems span the borders of any individual organization’s actions and policies, organizational responses to them often involves collaboration (Ackoff, 1974, 1999; Chisholm, 1998). Indeed, organizations, be they public, private, for or not-for profit, are involved in a complex network of relationships and interdependencies - they do not play the ‘game’ alone. To pursue their mission, TSOs establish multiple formal and informal sets of relationships, not only among themselves (e.g. Foster & Meinhard, 2002), but also with both public entities or governments (e.g. Gazley & Brudney, 2007; Guo, 2007), and business enterprises (e.g. Abzug & Webb, 1999; Austin, 2000a; Austin, 2000b; Galaskiewicz & Colman, 2006). As noted in the brief presentation of the case studies above, this dissertation deals with TSOs as organizations that in the course of their missions address various societal problems, in the context of multiple networks of relationships; where these networks are seen as a response to the multiple sources of complexity faced.

Considering this context, more intricate questions that address the system of complex interacting parts are required (Buckley, 1967). How does the whole relate to the parts and how do the parts relate to the whole⁶, considering that there are complex and dynamic relations between these parts? As noted earlier, the complexity of the system, together with the need to address various systems of interacting problems, calls for collective action among the actors, which often gives rise to both informal and formal networks of relationships (Clarke & Roome, 1995). However, difficulties can arise

⁶ According to the field theory, “parts within a whole are interdependent but, at the same time, they are usually independent to some degree. In other words, part *a* will not be affected, as long as the alteration of part *b* is within certain limits. However, if the change of *b* surpasses this limit, the state of *a* will be affected” (Lewin & Cartwright, 1951, p. 305). However, no such mathematical approach is used considering the complexity of the organizational set that is being analyzed. Furthermore, this study does not assume that the behavior depends only of the present field, as the “field theory”. In fact, configuration of inter-organizational networks, for instance, is a consequence of the past and well as future intentions.

when the actors are not able to adopt a holistic perspective, and end up creating greater turbulence by trying to individually and separately address the problems within it.

This demands, then, an understanding of the interactions between the actors, as the “building blocks of networks”, too often “taken as given”, when in fact their underlying reasons are fundamental in any network analysis (Salancik, 1995, p. 346). As Salancik (1995, p. 346) refers, “although some interactions in organizations may be idle, and formed by mandates or the happenstance of people meeting and liking one another, many others likely arise because parties interact to achieve, plan, coordinate, or decide on their individual and collective activities”.

This discussion on responses to complexity that take the form of interorganizational networks and the interactions among organizations raises the issue of potential implications for the strategy of the organizations, particularly TSOs, that are involved in these arrangements. If in such a complex environment TSOs come together to cooperate and coordinate activities, while simultaneously competing for scarce resources, what are the implications for their strategy making? How do TSOs address the resulting challenges and need to balance cooperation with competition? If the reasons for interorganizational relationships combine both organizational and social benefits (Brown, 2015), how is this dealt with in the literature on strategic management in the third sector? The next section introduces the research problem and questions that will be explored throughout the next chapters.

1.2. RESEARCH PROBLEM AND QUESTION

In the pursuit of their missions, TSOs can play an important role in helping address problems such as poverty, pollution or housing, to name just a few. However, as noted earlier, TSOs operate in the context of multiple sets of relationships, which lead to the issue of environmental interconnectedness. Environmental factors are increasingly interrelated, and the interorganizational relationships among the players in these contexts are becoming more dense (based on Emery & Trist, 1965; Oliver, 1991; Pfeffer & Salancik, 2003).

This results from multiple sources of complexity. Hence, the purpose of this research is to understand interorganizational networks as a response to complexity, and analyse the implications of such networks for the strategic management of TSOs and of the network itself. Indeed, networks raise specific managerial challenges, in so far as they require that interdependencies be managed, in order that both organizational and network goals may be achieved (Mandell, 1988, p. 395). Thus, the resulting research question is 1) ***“What are the implications of an interorganizational network response to complexity for organizational and interorganizational strategies that involve TSOs?”***

On the one hand, this research explores responses to multiple types of complexity. By doing so, it meets calls for further empirical examination of how organizations respond to different or conflicting demands in situations of institutional complexity (Greenwood et al., 2011; Kodeih & Greenwood, 2013). It does so in the specific context of TSOs, which according to Reay and Hinings (2009), respond to competing logics by coming together and adhering to networks. The literature further suggests that responses to what we here term as “problem complexity” must be both inter- and multi-organizational, since no single organization is able to meet such challenges alone (Roome, 2001; Trist, 1983). The empirical studies presented reveal how TSOs in Portugal have been dealing with multiple sources of complexity.

On the other hand, when it comes to interorganizational networks and strategy, much of the literature on strategic management in TSOs originates and is adapted from the business literature (Brown, 2015). As a result, it often overlooks the peculiarities of this sector. In addition, most literature that involves TSOs in networked collaborative settings comes mainly from the public management literature (Mandell & Steelman, 2003; McGuire, 2006).

The type of network structure of interorganizational relationship examined here is a structural arrangement that “takes on broad tasks that reach beyond the simultaneous actions of independently operating organizations (i.e. action may include, but reaches beyond, coordination, task force or coalitional activity)” (Mandell & Steelman, 2003, p. 204). Although it is recognized that decision making processes and management in public management are complex, there is limited use of complexity theories in this literature to address this topic (Teisman & Klijn, 2008). The same is true for TSOs and their strategic decision-making processes and management. Furthermore, despite

extensive work on the topic of collaborative public management, research on collaborative public *strategic* management has received much less attention (Bryson, Berry, & Kaifeng Yang, 2010). This gap in the literature is even larger for TSOs.

The overarching research question presented above is addressed in this dissertation in the following manner: chapter two - a theoretical one - discusses the types of complexity faced by TSOs, interorganizational networks as ways in which they can respond to it, and the implications of these responses for organizational and interorganizational strategies that involve TSOs. Chapter three presents a case study of a TSO and its interactions within a complex network of actors, and points to the significance of cross-level influences and networked relationships. Chapters four and five present a set of case studies at both the interorganizational network and organizational levels of analysis to empirically explore how TSOs in Portugal have been responding to complexity, and the implications of these responses for their own, and their networks' strategy making.

1.3. RESEARCH APPROACH

1.3.1. Qualitative research and case studies

The concept of complexity, core to this dissertation, has dictated the choice of qualitative research methods. In contrast to the hypothesis testing typical of quantitative approaches, complexity theories typically focus on the dynamics of the phenomena under examination (Teisman & Klijn, 2008). In the case of the empirical studies presented here, because they involve evolving phenomena such as policy and decision making, the focus is on how these phenomena develop under various influences (Teisman & Klijn, 2008). Furthermore, in dealing with complexity we follow a systems thinking approach which requires looking at the interrelationships instead of linear cause-effect chains; looking at processes of change rather than snapshots (Senge, 2006).

These characteristics make qualitative research methods more suitable for the study of the issues at hand. Qualitative data are better suited to the examination of processes, due to the richness of detail with which they are able to describe phenomena as they evolve through time; "something that is hard to do with methodologies based on quantitative

survey and archival databases that are coarse-grained” (Langley & Abdallah, 2011, p. 202). Hence, chapters three, four, and five are based on case studies where phenomena such as the interorganizational networks that are established in the context of TSOs are studied in an exploratory and evolutionary perspective.

Indeed, the research question posed and the characteristics of the phenomena underlying them make the case study a preferred empirical method. Whenever complex social phenomena are at stake, case studies emerge as preferred methods, allowing “investigators to retain the holistic and meaningful characteristics of real-life events – such as individual life cycles, small group behaviour, organizational and managerial processes” (Yin, 2009, p. 4). In this case, not only are we dealing with “how and why” questions, but in addition there is no control of the researcher over the events, and the focus is on contemporary phenomena within real managerial decision making contexts which need to be traced over time (Yin, 2009).

The research approach adopted in this dissertation also reflects the concern posed by Gioia, Corley, and Hamilton (2013, p. 16) that “advances in knowledge that are too strongly rooted in what we already know delimit what we can know”. This justifies the exploratory, rather than explanatory, approach adopted in this dissertation.

1.3.2. Epistemological orientation

As noted by Langley and Abdallah (2011, p. 203) “qualitative methods are associated with a range of different epistemological assumptions”, which can be expected to impact data interpretation the theoretical output resulting from the analysis. The research approach adopted in this dissertation looks at what surround us as something that is *socially constructed* (Weick, 1979), including our knowledge of organizations which “is fundamentally shaped by the subjective world views through which we perceive data” (Astley, 1985, p. 497). This then requires that we focus more “on the means by which organization members go about constructing and understanding their experience” rather than on the frequency of occurrence of measurable events (Gioia et al., 2013, p. 16). Senge (2006, p. 73) long expressed the concern that “reality is made up of circles but we see straight lines” – we hope in this research to provide a glimpse of the circles.

Another epistemological orientation dominates the research presented here, pertaining specifically to networks. As noted by Kilduff and Tsai (2003), much of the literature in social networks adopts some version of critical realism, in so far as it sees network structures as solid, unchangeable and apart from the field of individual action. However, the authors note, “social networks are constraints that individuals cooperate to build and maintain”; they are not, therefore, static, but rather the result of the dynamics of cognitive and interpersonal interactions (Kilduff & Tsai, 2003, p. 113).

As such, a poststructuralist perspective of network research is adopted here. The aim is not to achieve some “absolute truth”, because it is recognized that different representations of reality can co-exist (Kilduff & Tsai, 2003). Relationships are in constant transformation, and this challenges the often assumed “stability and objectivity of social networks”, to highlight the “fragility and subjectivity of network relations” (Kilduff & Tsai, 2003, p. 117). The goal is not to establish “a set of network laws”, but rather to explore processes and outcomes as they unfold over time and in various settings (Kilduff & Tsai, 2003, p. 126).

1.4. DISSERTATION STRUCTURE

After this introduction in *Chapter 1*, the following chapters include a set of four essays (Table 1.2). The chapters that form the body of the dissertation were developed under guidance of Nigel Roome.

Table 1.2 – Description of the chapters

Title	Responding to complexity: organizational and interorganizational strategy in third sector organizations	Responding to complexity through a serendipitous network: impacts on organizational strategy in a multilateral perspective	Responding to complexity through an interorganizational network: the <i>Rede Social</i> case study	Pursuing the mission of third sector organizations in the context of interorganizational networks: implications to strategy
Chapter	Chapter 2	Chapter 3	Chapter 4	Chapter 5
Main research question:	How do we understand and conceptualize the strategic management of TSOs that confront multiple types of complexity?	How do organizations understand the implications of the multiple organizational interactions, which occur within networks for the strategic management of a TSO?	How do we conceptualize and understand the formulation of strategy by TSOs, when they respond to problem complexity through interorganizational networks?	How do TSOs pursue their mission in the context of interorganizational networks where they face both cooperation and competition?
Research questions:		<p>RQ1: How does the network of relationships evolve around a TSO?</p> <p>RQ2: How different actors understand the interactions in the network around a TSO as they seek to address problem complexity?</p> <p>RQ3: How is the strategic management of a TSO developed?</p> <p>RQ4: How do actors understand the dyadic influences and the cross-level interactions in and with the network of actors that may shape the strategic content of a TSO?</p>	<p>RQ1: What are the cross-level and multi-level interactions between organizations and the network within which those organizations are embedded?</p> <p>RQ2: How do the strategies and actions at the system level interact with strategies and actions of the TSOs in that system?</p> <p>RQ3: How do the interactions between TSOs, and between TSOs and the network impact the strategy making by TSOs and for the network as a whole?</p>	<p>RQ1: What is the role of interorganizational networks in mission pursuit?</p> <p>RQ2: What are the enablers and barriers to mission pursuit?</p> <p>RQ3: How do these enablers and barriers to mission pursuit relate to the network of relationships to which the TSO belongs?</p>
Level of analysis	---	Network and organizational levels	Network (at two embedded levels) and organizational levels	Organizational level
Theoretical lens	Complexity, systems theory, network theory, and strategy	Complexity, systems theory, network theory, strategy, social capital, and intermediaries	Complexity, systems theory, network theory, and strategy	Complexity, systems theory, network theory, and strategy

Research design	Conceptual	<p>Empirical study:</p> <p>Case study composed of a focal organization and eight stakeholders</p> <p>12 interviews with 12 interviewees; multiple document analysis</p>	<p>Empirical study:</p> <p>Case study representing of a Portuguese network and 33 of its members</p> <p>33 interviews with 41 interviewees; three observations; and multiple document analysis</p>	<p>Empirical study:</p> <p>Case study of 23 TSOs belonging to the same network in Portugal</p> <p>23 interviews with 31 interviewees and multiple document analysis</p>
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Chapter 2 is a conceptual chapter that starts with the discussion that TSOs, particularly those providing social services, operate in arenas of policy, practice, and need where there is a high degree of complexity arising from multiple sources. This chapter distinguishes two major types of complexity in the context of TSOs: problem, and institutional complexity. Not only are problems addressed by TSOs often connected at the level of the client or community they serve, but also TSOs are subject to various institutional logics, and their strategies, interests, goals, and actions interact with those of other organizations in the field. Literature on different types of complexity suggests that interorganizational networks are appropriate organizational responses. Indeed, activities of TSOs are developed in a system of increasingly networked organizations from the public and private sectors. In this chapter, we discuss the implications of such complexity and interorganizational network responses for strategy making by TSOs. We do this by revisiting the literature of strategic management in TSOs and discussing the different approaches to strategy of TSOs in the context of complexity.

Chapter 3 explores the case study of a TSO and its interactions within a complex network of actors, in its work to help alleviate poverty. The TSO central to the study plays an intermediary role crucial for social capital formation among partners within the network. The case reveals the changing shape of the strategic content as the network around the TSO evolves. The study uses insights from key actors combined with published and non-published material to understand how the organizational strategy of the central TSO is formulated and influenced by the network, and to explore the dimensions of that influence as we move from a dyadic approach to a systems approach. The case points to the significance of cross-level influences and networked relationships, in addition to more direct dyadic relationships between the focal TSO and each of the other organizations.

Chapter 4 encompasses one of the most comprehensive empirical studies presented in the dissertation. In this study, we examine the mechanisms through which organizations in the network – mainly local government, public entities, and TSOs – interact in the network through the theoretical lens of a systems approach to strategy. This is a research stream that has had limited attention in the strategy literature of TSOs. This chapter aims to help fill this gap through an empirical, multi-level, longitudinal, case analysis of a cross-sector network operating in Portugal. It sets out to examine the nature of the interactions between organizations in this goal directed network; to

understand the means the network uses to provide strategic coordination for itself and its constituent TSOs; and what this means for the resolution of social problems. We conclude that the interactions between TSOs, and between those TSOs and the network, influence and shape the strategy making by both individual TSOs and the network as a whole.

Chapter 5 presents a chapter that particularly explores the fact that TSOs face multiple sources of complexity in pursuit of their mission, including institutional, problem, strategic, and operational complexity. It is in the context of multiple networks of relationships, both serendipitous and goal-directed, that this chapter explores a systems approach to mission pursuit. Based on an empirical study with twenty-three TSOs belonging to an interorganizational network, we explore not only the environmental interconnectedness and complexity they face, but also the role of interorganizational relationships within the boundaries of the network for mission pursuit. The findings suggest that these TSOs face multiple enablers and barriers in the pursuit of their missions, related to a set of interorganizational relationships both within and outside the borders of the goal-directed network. The mechanisms of competition and cooperation detected are also explored.

Finally, overall conclusions of the dissertation are presented in **Chapter 6**, together with both theoretical and empirical contributions and managerial implications, while acknowledging its limitations and presenting further research avenues.

2. RESPONDING TO COMPLEXITY: IMPACTS FOR STRATEGIC MANAGEMENT IN THIRD SECTOR ORGANIZATIONS^{7,8}

“Systems thinking is both more challenging *and* more promising than our normal ways of dealing with problems”

(Senge, 2006, p. 63; emphasis in original)

Third sector organizations (TSOs), particularly those providing social services, operate in arenas of policy, practice, and need, where there is a high degree of complexity arising from multiple sources. This chapter distinguishes two types of complexity in the context of TSOs: problem and institutional complexity. Not only are problems addressed by TSOs often connected at the level of the client or community they serve, but TSOs are also subject to various institutional logics; and their strategies, interests, goals, and actions interact with those of other organizations in the field. The literature on complexity suggests that interorganizational networks are appropriate organizational responses to different types of complexity. Indeed, the activities of TSOs are developed in a system of increasingly networked organizations from the public and private sectors. In this chapter, we discuss the implications of such complexity and interorganizational network responses for strategy making by TSOs. We do this by revisiting the literature on strategic management in TSOs and discussing the different approaches to strategy in the context of complexity adopted by TSOs.

Keywords: Complexity; interorganizational networks; strategy; third sector organizations

⁷ This version has highly benefited from constructive feedback from Niels Noorderhaven, Jo Anne Schneider, Marjan Jalali, and the committee members at different stages of its development. All errors remain ours.

⁸ Earlier versions of this chapter have been presented at: the 4th CIRIEC International Research Conference on the Social Economy, 24-26 October 2013, Antwerp, Belgium; and the 41st Annual Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA) Conference, 21-23 November 2013, Hartford, CT, USA. We thank the participants for feedback on the chapter. All errors remain ours.

2.1. INTRODUCTION

Third sector organizations (TSOs) operate in arenas of policy, practice, and need, where there is a high degree of complexity arising from multiple sources. TSOs are increasingly important for social development worldwide (Salamon et al., 2004), representing a distinctive type of organization, which does not seek profit but is not part of the state either (Pestoff, 1998). Among the various types of TSOs – service-providers, campaigning organizations and mutual support organizations (Handy, 1990; Hudson, 2009) -, this chapter focuses mainly on the service-providers, including those that provide services to the poor, to those lacking opportunities or who are in need. While these TSOs require resources to further their operations, just like other organizations, they draw on a more complex mix of sources of funding – e.g. private contributions, government funding, and commercial activities (Froelich, 1999). These resources are intended to allow TSOs to supply highly person-specific (Laville, 2001) ‘proximity services’ (Laville & Nyssens, 2000); leading Almeida (2011) to propose that TSOs operate in proximity to their clients, to provide relational goods or services, that are informed by a logic of solidarity.

TSOs do not exist in a vacuum, but rather in a complex and dynamic environment, able to profoundly impact their current and future states (Courtney, 2013). This chapter distinguishes two types of complexity: problem (based on ideas from Ackoff, 1974, p ; Paarlberg & Bielefeld, 2009; Roome, 2001; Trist, 1983), and institutional complexity (e.g. Greenwood et al., 2011; Ingram & Simons, 1995; Oliver, 1991; Provan et al., 2004) in the specific context of TSOs; and focuses on interorganizational networks as organizational responses to that complexity (e.g. Chisholm, 1998; Provan et al., 2004).

Indeed, networks have implications for both organizations and societies, and as such have been gaining interest in the management literature (Brass et al., 2004). Shipilov (2012) suggests that organizations are simultaneously embedded in different types of relationships that are interdependent in ways that influence each organization and its strategy. Although the phenomenon of a society of increasingly networked organizations is transversal to all sectors, it is particularly evident in the action of TSOs, whose activities are developed in a system where the public and private sectors become intertwined. It becomes legitimate, then, to question what the implications of such

complexity and consequent interorganizational responses might be for strategy making in the context of TSOs.

Although the implications of complexity for strategy making in (profit seeking) businesses have been considered (e.g. Løwendahl & Revang, 1998; Sanchez, 1997; Stacey, 1995), this has remained outside the mainstream literature. The gap is even greater for the literature on TSOs. Where complexity has had more impact on the literature, is in the domain of public administration; a result of a renewed interest in wicked problems (see for example Conklin, 2005), and an emerging interest in interorganizational networks and other structures through which the public sector engenders coordination among actors (e.g. Conteh, 2012; P. Davis, West, & Yardley, 2011; Kickert, Klijn, & Koppenjan, 1997b; O'Toole, 1997; Teisman & Klijn, 2008). Some of this work on public sector management does consider TSOs (e.g. Paarlberg & Bielefeld, 2009; Rhodes, 2008), as part of multi-actor service delivery systems (Alter, 1990; P. Davis et al., 2011) and community-based care (Yip, Myrtle, Wilber, & Grazman, 2002); however, the analyses are seldom focused on these organizations and their specific challenges.

Strategy in TSOs represents the management process that brings multiple dimensions together, through its concern to ensure viable relationships between the organization and its environment. It sets the direction for the organization's long term development and systematizes the evaluation of organizational performance (Hatten, 1982). While strategic management is relevant for all organizations, the way it is approached in the context of TSOs has tended to derive from ideas initially developed for business and the public sector (e.g. Brown, 2015; Courtney, 2013; Stone & Crittenden, 1993). Although strategic management in TSOs has been considered in different settings (for literature reviews that build upon each other please see Domański, 2011; Stone et al., 1999; Stone & Crittenden, 1993), and there is also a body of work comparing TSOs to other sectors (e.g. Kong, 2008; Moore, 2000; Phills, 2005), the theoretical contributions to strategic management that recognize TSOs as distinctive organizations are less common (Helmig et al., 2004).

This chapter specifically addresses the implications for strategy making in TSOs of complexity and responses to that complexity in the form of interorganizational networks. The core theoretical discussion it brings to the fore is the extent to which

existing approaches taken to strategy making in TSOs accommodate the challenges created by interorganizational networks and their implications for these organizations and their ability to deliver their mission. The chapter is then framed around the overarching question: *“How do we understand and conceptualize the strategic management of TSOs that confront multiple types of complexity?”*

In the following sections, in addition to the complexity literature, the strategy literature is also briefly reviewed, in a bid to identify how it has responded to complexity and the manner in which this influences strategy in TSOs. The intent is not to provide an exhaustive review of each area, as this has already been done elsewhere (e.g. Ackoff, 1974; Anderson, 1999; Furrer, Thomas, & Goussevskaia, 2008; Stone et al., 1999). Rather, this theoretical background aims to introduce a discussion that can lead to the identification of key research questions to guide empirical research on TSOs facing increasing complexity and embedded in interorganizational networks. The chapter closes with conclusions that pull the main points of the chapter together.

2.2. COMPLEXITY AND RESPONSES IN THE CONTEXT OF TSOs

2.2.1. Complexity in the context of TSOs

In the context of TSOs, the term ‘complexity’ refers to the level of complex knowledge required in order to understand the environment (Mintzberg, 1979; Sharfman & Dean, 1991). Complexity is one of the contingency factors of the environment (Mintzberg, 1979), together with stability (or the degree of predictability in the environment), diversity, hostility, and resource availability; all of which, however, fall beyond the scope of this chapter. The way complexity is used in this dissertation resonates the ideas of Mintzberg (1979), as value is placed on managerial perceptions and their importance in shaping managerial choice. This is in contrast with approaches such as that of Aldrich (2008/1979), which move away from perceptual measures (Sharfman & Dean, 1991).

An organizational environment, which is comprised of virtually everything outside the organization, can range from simple to complex (Mintzberg, 1979). The level of complexity depends on the amount of sophisticated information required about the products, customers or any other aspect of the organizational environment, in order to

understand it (Mintzberg, 1979). Beyond the general concept of complexity, there are also specific types of complexity, two of which are addressed here (Table 2.1).

Table 2.1 – Concepts: Types of complexity

Key concept	Definition	References
Problem complexity	Arises because issues like health, poverty and polluted environments are classified as interdependent problem-sets that are made up of connected problems.	Based on ideas from Ackoff (1974); Paarlberg and Bielefeld (2009); Roome (2001); and Trist (1983)
Institutional complexity	Arises from the fact that organizations may be exposed to conflicting principles from different institutional logics, which provide guidelines on how to interpret reality and to behave appropriately in social situations.	Greenwood et al. (2011)

‘*Problem complexity*’ is used here to describe the complexity that arises because issues like health, poverty and polluted environments are classified as interdependent problem-sets that are made up of connected problems, i.e., ‘metaproblems’ (Cartwright, 1973; Chevalier & Cartwright, 1966), ‘messes’ (Ackoff, 1974) or ‘wicked problems’ (Rittel & Webber, 1973). These different labels define problems that are recognized as not completely solvable due to their characteristics, a common feature of which is that they involve sets of interconnected problems (Chisholm, 1998; Trist, 1983).

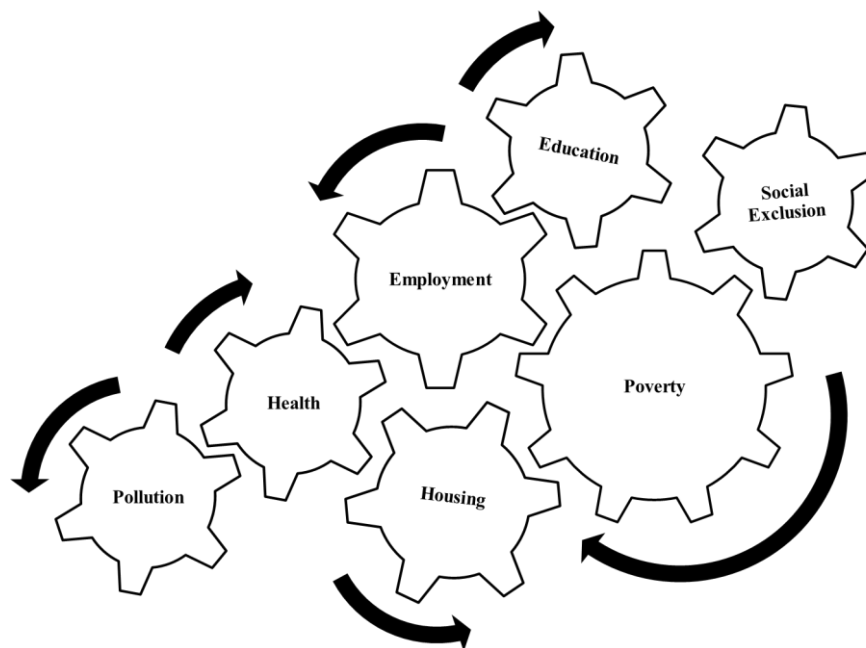
Problem complexity becomes clearer with illustrations, such as this one provided by Senge (2006, pp. 58-59), where one actor’s intervention produced feedback in the system in which led to a situation worse than the initial one, because it did not account for the larger system of interrelated social problems:

“In the 1960s there were massive programs to build low-income housing and improve job skills in decrepit inner cities in the United States. Many of these cities were even worse off in the 1970s despite the largeness of government aid. Why? One reason was that low-income people migrated from other cities and from rural areas to those cities with the best aid programs. Eventually, the new housing units became overcrowded and the job training programs were swamped with applicants. All the while, the city’s tax base continued to erode, leaving more people trapped in economically depressed areas.”

These ideas suggest the importance of recognizing the interdependence of problems (see Figure 2.1) and the extent of knowledge required to understand an environment where these problems co-exist. This means acknowledging the potential problem complexity TSOs may face when trying to address any of these individual problems.

In his seminal work on developing network organizations, Chisholm (1998) unveils several responses to the challenges caused by the complexity of issues and problems; the interdependence among organizations and institutions, including TSOs; and the accelerating pace of change that together create messes. Some concern can be raised on the need to choose boundary judgments, which refers to mental models used to determine the boundaries of the problem, in terms of what issues and concerns are to be considered at each point in time (Flood, 1999).

Figure 2.1 – Problem complexity: interdependence of problems



'Institutional complexity' arises from the fact that organizations may be exposed to conflicting principles from different institutional logics. These logics provide guidelines on how to interpret reality and to behave appropriately in social situations, and when in conflict, different institutional logics can result in institutional complexity (Greenwood et al., 2011). Examples of institutional complexity in the third sector include conflicting

environmental pressures caused by changes in the contracting mechanisms with the State (Stone, 1996), or conflicting pressures coming from changes in mechanisms through which the State provides funding (Provan et al., 2004). Institutional complexity is heightened in the case of TSOs, because in the course of their mission these organizations face increasing interactions with other actors through formal or informal networks (based on ideas from Ackoff, 1974; Paarlberg & Bielefeld, 2009; Roome, 2001; Trist, 1983). Actors involved in these networks come from various institutional backgrounds with different logics and rules, such as the public, private and nonprofit sectors, for instance; and may belong to various networks each with its own set of characteristics influencing their behaviour (Klijn & Koppenjan, 2014).

The complexity TSOs face is not qualitatively different from that faced by public sector organizations in the late 1960s and 70s when metaproblems were originally characterized (Chevalier & Cartwright, 1966). At that time, although the public sector had expanded in many developed societies, a variety of social problems remained unresolved, leading to questions about the extent to which governments were able to accomplish their goals and influence social development (Kickert, Klijn, & Koppenjan, 1997a). Following the trend of ‘New Public Management’ (Hood, 1991), the subsequent downsizing of the state and its de-bureaucratization led to recognition that government was part of broader social and economic systems, and needed to work alongside and with actors from other sectors. Collaborative public management, defined as “the process of facilitating and operating in multi-organizational arrangements in order to remedy problems that cannot be solved – or solved easily – by single organizations”, although not new, flourished as a research field (McGuire, 2006). This stimulated political scientists to examine the relations between government agencies, private and semi-private organizations, and how these relationships impacted planning and policy-making (Klijn, 1997). These responses have led to a discussion about the role of strategic coordination, as found in ‘policy networks’ (Kickert et al., 1997b).

TSOs today face a similar situation as their presence and role grows. The increase in the transfer of functions originally run by government agencies, particularly in terms of social care services, together with cross sector collaborations and contracts for the provision of social services have had a key impact on the way TSOs are managed (Courtney, 2013; O'Regan & Oster, 2000). Much of these changes have originated from institutional complexity, as the intuitional logics have impacted TSO management. Still,

although TSOs are often involved in such networks, the literature has mostly focused on the public managers (e.g McGuire, 2006), rather than on the nonprofit managers.

The next section looks at interorganizational networks as responses to complexity in the context of TSOs.

2.2.2. Interorganizational networks as responses to complexity in the context of TSOs

Following Mintzberg (1979), our interest here lies on the impact of the environment on the organization, and how the organization copes with it, rather than on the environment as an autonomous entity. Hence, in the case of complexity, we are interested in how TSOs cope with comprehending the environment. This environment may be perceived as more or less complex by individual organizations, depending on the way they rationalize it. Thus, complexity itself is a socially constructed concept, which can be understood differently by different organizations.

One response to complexity by organizations has been the formation (spontaneous or otherwise) of interorganizational networks. *‘Interorganizational networks’* are a type of system, which exists at a higher level than interorganizational relationships and provides members with new ways of perceiving and understanding significant problems (Chisholm, 1998). This is in line with Flood (1999, p. 96) for whom, “sharing views may enrich each person’s systemic appreciation of the complex surrounding”. Similarly, Starnes (2000) has alerted to the need for nonprofit organizations to operate as open systems by developing strategic alliances, as a way to see the “big picture”. This makes sense in so far as part of the ‘problem’ of complexity is that no single organization can understand the totality of the system, the mix of possible solutions, or the outcomes following from the implementation of those solutions (Chevalier, 1966 apud Trist, 1983)⁹. Problems and the assessment of the outcomes of policies and actions are thus frequently contested because they are understood from different perspectives that follow from the assumptions or value systems by which each actor works. These assumptions and values are clearer to the actor concerned than they are to other actors.

The literature suggests that interorganizational networks are a type of system of growing importance to meet challenges coming from the environment (Chisholm, 1998). These

⁹ Chevalier, Michel (1966). *A Wider Range of Perspectives in the Bureaucratic Structure*. Working Papers. Commission on Bilingualism and Bi-culturalism. Ottawa.

challenges include complexity of issues and problems, the interdependence among organizations and institutions, and the accelerating pace of change that together create messes, i.e., sets of interconnected problems requiring collaborative work, because single organizations find them impossible to deal with alone (Chisholm, 1998). Recent empirical cases of nonprofits (Budrys, 2012), consider how strategic responses involve the coordination of multiple actors in addressing intertwined social problems. Budrys (2012) in her empirical study of health-oriented nonprofits notes that these organizations adopted broader agendas than she expected. The spectrum went from organizations focused on specific health issues, all the way to concerns with the fulfilment of basic needs (such as food and housing) or even people's need for self-sufficiency.

Far beyond the scope of this dissertation, there is extensive work on how organizations have responded to institutional complexity originated by multiple and often competing institutional logics (e.g. Greenwood et al., 2011; Ingram & Simons, 1995; Oliver, 1991; Provan et al., 2004). Contradictory logics can co-exist, and interorganizational networks can be a response to these contradictions (e.g. Provan et al., 2004; Reay & Hinings, 2009). Some examinations of these network responses have been in the specific context of TSOs. For instance, Provan et al. (2004) show how nonprofits and other organizations serving people with mental illness in the health and human service areas in Arizona (USA), developed a network response to conflicting institutional pressures coming from changes in state funding mechanisms.

In the next section, different approaches to strategic management in TSOs are discussed as we outline the ways the strategic management literature has derived from business literature and been applied to TSOs.

2.3. STRATEGIC MANAGEMENT IN THE CONTEXT OF TSOS

2.3.1. Background on strategic management in the context of TSOs

The initial debate on the need for strategy management in non-profits dates back to the late 1970s and 1980s (e.g. Hatten, 1982; Selby, 1978; Unterman & Davis, 1982; Wortman Jr., 1979). The literature on strategy in TSOs at that time builds on the three

components of the strategy process found the business strategy literature - 'formulation', 'content' and 'implementation' (Stone et al., 1999); although in practice the strategy literature for TSOs is fragmented (Stone et al., 1999) and these components are often considered separately in relation to the internal or external factors that shape them (Stone & Crittenden, 1993).

The call for better strategy making in TSOs has accompanied their expanding role (Stone et al., 1999; Stone & Crittenden, 1993), and the growing competition between TSOs for scarce resources, motivated for instance by government contracts (Courtney, 2013). This, rather than attention to complexity, to the density of interorganizational relationships or to the connectedness of social problems (e.g. Emery & Trist, 1965; Oliver, 1991; Pfeffer & Salancik, 2003), is what dominates the literature on strategy in TSOs.

Some of the shortcomings in the work on strategy in TSOs can be partly explained by the fact that strategy was developed for business organizations and then applied to TSOs with a lag of about ten to twenty years (for a review see Courtney, 2013; Stone et al., 1999; Stone & Crittenden, 1993). As noted by Courtney (2013), early literature on strategy in TSOs often assumed that these organizations could simply adopt the tools and techniques of for-profit organizations, without any critical analysis of their appropriateness or adaptation to the needs and reality of nonprofits. As a result, there is a wide variety of 'how-to' literature on techniques, models and tools of strategic management drawing from the private sector (Courtney, 2013).

The literature that covers strategic management issues on TSOs is certainly vast. However, this chapter does not intend to focus on the formalization of strategic planning (e.g. Bryson, 2010; Crittenden & Crittenden, 2000; Nutt, 1984); nor on specific types of positioning or competitive strategies (e.g. Barman, 2002; Chew & Osborne, 2008). Neither do we intend to focus on specific techniques or tools used by non-profit organizations, such as the balanced scorecard (e.g. Hansen, Sextl, & Reichwald, 2010; Kong, 2008; Niven, 2003) or stakeholder mapping techniques (e.g. Bryson, Cunningham, & Lokkesmoe, 2002; Fletcher, Guthrie, Steane, Roos, & Pike, 2003), to name just a few specific topics within the strategic management literature as applied to TSOs. Instead, this chapter focuses on approaches to strategy that guide the strategic thinking of TSOs and how these respond to the challenge of complexity.

2.3.2. Strategic management literature and complexity

A relatively small body of literature explicitly addresses complexity in relation to strategy, while the mainstream strategic management literature tends to see complexity as one more variable in its models (e.g. McArthur & Nystrom, 1991), rather than a characteristic that can (and arguably should) shape the approaches to strategy making. As a result, limitations have been noted in the way strategic management accounts for the challenges arising from complexity (Gregory, 2007; Løwendahl & Revang, 1998).

Stacey (1995), for instance, advances an alternative to the dominant logic in much of the strategy literature, using an approach originating in complexity science. The starting point for this view is the recognition that organizations operate in an environment defined by multiple organizational interactions, because of which relationships between actions and outcomes become complex and nonlinear (Anderson, 1999). Indeed, as noted by Clegg, Carter, Kornberger, and Schweitzer (2011), the interorganizational context within which organizations compete and collaborate has an important effect on their strategic performance. Similar ideas are taken from chaos theory (Levy, 1994) and are found in the search for a ‘complex theory’ of strategy (Cunha & Cunha, 2006). In a recent paper Shipilov (2012) follows this qualitatively different approach, discussing complexity in terms of a strategic multiplexity perspective. The author proposes that organizations are simultaneously embedded in different types of relationships that are interdependent in ways that influence each organization (and its strategy). In the public sector literature, Paarlberg and Bielefeld (2009) use complexity science as an alternative theoretical framework for strategic management in public serving organizations (which include public and nonprofit organizations).

Empirical research explores strategic planning in the public sector from the viewpoint of complex, adaptive systems (Bovaird, 2008). Institutional complexity combined with a web of connected issues provides a way to consider interorganizational coordination, through which public, nonprofit, and for-profit organizations provide solutions that move beyond their individual goals for the benefit of the communities they serve (O'Toole, 1997; Provan & Kenis, 2008; Roome, 2001; Trist, 1983).

Based on “the complexity of public problems and the speed with which they arise”, Andersen et al. (2006, p. 265) have worked on “integrating modes of systems thinking into strategic planning education and practice”. Other authors (J. P. Davis, Eisenhardt, & Bingham, 2009) place complexity sciences at the centre of a research agenda for

organization studies, network sociology, and strategy. Social problem complexity is recognized as an issue for public sector service delivery that includes TSOs, although most research considers complexity in relation to public sector rather than TSO strategy.

To the best of our knowledge, complexity has received sparse attention in the literature dealing specifically with strategy for TSOs. A recent literature review confirms this view (Domański, 2011). Next, we present a discussion on the competing, cooperating, and coordinating challenges that characterize strategy making in the context of TSOs.

2.3.3. Balancing competition, cooperation and coordination

The literature on strategy in TSOs considers cooperative as well as competitive issues (Brown, 2015; Domański, 2011; Stone et al., 1999), although cooperation is mostly discussed in terms of financial stability and increases in interorganizational power (Stone et al., 1999). The positioning of TSOs for resources such as funds, clients, locations, employees, volunteers (Post, Preston, & Sachs, 2002b), or for public recognition and media attention (La Piana & Hayes, 2005), is discussed in much the same way as the strategic logic of the business sector in what pertains to securing the resources needed to compete (e.g. Hatten, 1982; Selby, 1978; Unterman & Davis, 1982). For instance, the various reasons for nonprofits to cooperate and coordinate their administrative operations with competitors presented by Bunger (2012) are focused primarily on organizational self-interest.

Other authors go further in their reasoning for interorganizational networks. Brown (2015), for instance, describes these arrangements as social benefits (e.g. to achieve social impact) and organizational benefits (e.g. cost efficiency; strategic adaptation; learning; access to resources; stakeholder management). In a similar way, La Piana and Hayes (2005, p. 13) reinforce that “nonprofits need to compete, based on effectiveness, as well as to collaborate, based on shared purpose, in order for the community to receive the best possible outcomes from their efforts”. Still, the literature tends to see cooperation as a function of the solidarity among TSOs, rather than as a response to complexity. The few exceptions include the work by Starnes and Self (Self & Starnes, 1999; Starnes, 2000; Starnes & Self, 1999) who present a system of alliances as a way of identifying potential relationships – which they call strategic alliances – within the system of multiple actors in which nonprofits are involved. This alliance system

includes horizontal, vertical, internal, and osmotic alliances, in their research, within the context of hospices (Self & Starnes, 1999; Starnes & Self, 1999). This application of open systems¹⁰ theory to the strategic management literature of nonprofits (Starnes, 2000) is closer to the complexity line of thought. A recent literature review on strategic management research in the third sector, Domański (2011, p. 37) raises a fundamental question: shouldn't "the theory of Third Sector management [...] place a far greater emphasis on the concepts of collaborative, alliance-based and co-operative strategies"? Such an approach would not only be "closer to reality", but could potentially result in a more accurate description of the status quo in what pertains to non-profit organizations (Domański, 2011, p. 37).

Indeed, the need for cooperation between actors as they face complexity has led to the suggestion that metaproblems require a new style of management (Clarke & Roome, 1995), based on the sharing of knowledge and collaboration in what pertains to the overlapping missions of individual organizations. This requires actors to deal with their competitive relationships within those systems. This suggests the argument that in the face of complexity the strategic problem for TSOs is no longer merely about how to compete or cooperate to secure resources, but about when and how to compete, when and how to cooperate, and when and how to coordinate to deliver service.

This balance between cooperation and competition is not, however, an easy task. As discussed by Brown (2015), the first paradox in managing interorganizational arrangements includes balancing the interest of collaborative priorities that contribute to the collective good, against the recognition that engaging in such cooperative action may potentially bring costs to one organization and benefits to another organization (with whom the former competes for resources). In the next section, we therefore consider how strategy from other sectors has been adapted to TSOs.

2.3.4. Research streams in the strategic management literature applied to TSOs

The main research streams found in business strategy, and its respective core focus of analysis, are also found in relation to work on TSOs. Classical strategy literature distinguishes two main strategic perspectives, commonly referred to as the 'outside-in

¹⁰ Open system is a system that has an environment (as opposed to a closed system that is conceived as not having interactions with elements not included within it) (Ackoff, 1999)

and inside-out approaches to strategy' (e.g. António, 2006): the 'industry- or sector view' (e.g. Porter, 1979), and the 'resource-based view' (e.g. Barney, 1986; Wernerfelt, 1984), followed by more recent ideas about 'dynamic capabilities' (e.g. Eisenhardt & Martin, 2000; Teece, Pisano, & Shuen, 1997). In addition, there is literature that explicitly considers the relationships between actors: the 'stakeholder-view' (e.g. Freeman, 1984; Post, Preston, & Sachs, 2002a), the literature based on 'networks' (e.g. Neville & Menguc, 2006; Rowley, 1997), and that based on a 'system's approach'. These perspectives or streams present different accounts of interdependence and complexity, as shown in Table 2.2.

According to Domański (2011), although there is no consensus in the literature about the school of management that strategic management of TSOs should be part of, the majority of papers reviewed for the noughties fall within the resource- and competence-based views. Other strategic management approaches that have also been found in the literature (Domański, 2011) include knowledge management and intellectual capital. Nonetheless, considering the purpose of the chapter, we will focus on the perspectives presented in Table 2.2.

The 'industry-based', 'resource-based', and 'dynamic capabilities' approaches focus on sources of competitive advantage, whereas the 'stakeholder-view' emphasizes the importance of relationships between an organization and other actors, and implies some possibility for cooperation as well as competition between them arising from those relationships. While the stakeholder-view is held to be more complete (Post et al., 2002b), drawing on elements of the resource-based and industry-based approaches, it invariably considers relationships between a focal organization and other actors as dyadic; and it is in this manner that it has been applied to TSOs (e.g. Abzug & Webb, 1999; Balser & McClusky, 2005; Fletcher et al., 2003; Knox & Gruar, 2007; LeRoux, 2009). Considering relationships as dyadic reduces the system of relationships and downplays complexity arising from the network dynamics.

Table 2.2 – Revisiting research streams in strategic management literature

RESEARCH STREAMS IN STRATEGIC MANAGEMENT LITERATURE							
Literature	Overview	Industry-based view	Resource-based view	Dynamic capabilities	Stakeholder-view	(Social) Networks	Systems approach
		Stems from notion of environmental determinism where the structure of an industry determines its profitability and therefore the type of business strategy that organizations can pursue.	The increasing volatility in the business environment in the 80s and 90s brought forward the idea that strategic management concerned the ability to deploy organizational resources, capabilities, and competences.	Approach related to the pace of change. It is a distinctive strategic literature on dynamic capabilities that links resources internal to the firm to external changes.	Stresses relationship with stakeholders, defined as any group or individual who can affect, or is affected by, the achievement of a corporation's purpose.	Focuses on the interactions between nodes at different levels of scale. It includes for instance individual actors or collectivities.	A framework where complex problematic situations require methods of analysis that acknowledge that complexity and that try to understand the social reality as part of a whole
	Key main-stream literature	(e.g. Porter, 1979)	(Barney, 1986; Collis, 1991; Prahalad, 1993; Wernerfelt, 1984)	(Eisenhardt & Martin, 2000; Teece et al., 1997)	(e.g. Freeman, 1984)	(e.g. Granovetter, 1973; Wasserman & Faust, 1994); in strategy (e.g. Neville & Menguc, 2006; Rowley, 1997)	(Ackoff, 1974; Jackson, 2000; Senge, 2006; Whittington, 1993)
	Examples of limitations	Static view and lack of empirical evidence (Grant, 2002); Inadequateness to TSOs (Goold, 1997)	Need for formalization of concepts and a temporal dimension (Priem & Butler, 2001); Limited empirical tests (Arend, 2006; Newbert, 2007)	Limited empirical tests (Newbert, 2007); conceptual issues /need for consensus (Kraatz & Zajac, 2001; Vogel & Güttel, 2012)	Unidirectional view and problems with graphic representation (Fassin, 2008, 2009; Post et al., 2002b; Roome, 2008; Rowley, 1997)	Structuralist approach (Kilduff & Tsai, 2003; Salancik, 1995)	
	Examples of literature on TSOs	(Lindenberg, 2001; Phills, 2005; Tuckman, 1998)	(Douglas & Ryman, 2003; Peng, 2003; Rhodes & Keogan, 2005)	<i>not found</i>	(Abzug & Webb, 1999; Balser & McClusky, 2005; Fletcher et al., 2003; Knox & Gruar, 2007; LeRoux, 2009)	(Arya & Lin, 2007; Provan, Beyer, & Kruytbosch, 1980; Provan & Milward, 1991)	(Tucker, Cullen, Sinclair, & Wakeland, 2005)
Focus of strategy		Industry	resources	dynamic capabilities	stakeholders	network	system
Focus of interactions	Competition	X	X	X	X	X	X
	Cooperation				X	X	X
	Coordination					X	X

Several authors raise concerns about this stakeholder perspective (e.g. Fassin, 2008, 2009; Post et al., 2002b; Roome, 2008; Rowley, 1997), leading to the suggestion that stakeholders are better understood as not only individual but also interacting actors (Friedman & Miles, 2006), as illustrated in new representations of the stakeholder model (e.g. Fassin, 2008, 2009), which aim to consider multiple interactions (Post et al., 2002a, 2002b). In the same vein, Neville and Menguc (2006) advance the idea of stakeholder multiplicity, acknowledging competing, complementary and cooperative stakeholder interactions. The implication is that the labels ‘stakeholder’ and ‘central actor’ lose meaning, as every actor has stakeholders and every stakeholder is an actor, forming network-like relationships. The stakeholder-view is also criticized because strategic problems are addressed from the viewpoint of a focal TSO rather than a community, area or social group(s) that the TSO serves. These ideas have led to clear distinctions between the idea of stakeholders around an organization, networks of actors, and actors operating in, and shaping, a system (Roome, 2011a, 2011b).

In parallel, the ‘network’ literature has also grown rapidly in the past years (Borgatti & Foster, 2003; Knoke & Yang, 2008; Raab & Kenis, 2009). There is a growing body of work looking at the influence of networks on strategy making which moves beyond the stakeholder-view (e.g. Rowley, 1997). Networks are understood as a group of nodes where the ties between nodes represent the existence (or lack) of relationships (Brass et al., 2004). Network research considers interactions between nodes at different levels, principally between individual actors, collectivities of informal and formal organizations (Knoke & Yang, 2008) or work units (Brass et al., 2004). Social network analysis, part of the broader network literature, is increasingly used in the management field (e.g. Brass et al., 2004; Cross, Borgatti, & Parker, 2002) to capture the interactions of a unit within the field to which it belongs (Kilduff & Tsai, 2003). It has been suggested that this “corrects a tendency in organizational theory to focus on the trees rather than the forest, on the actions of the individual organizations rather than on the organization of their actions” (Salancik, 1995, p. 345).

The difference between adopting a stakeholder and a network-view is not always clear-cut. For example Rowley’s (1997) seminal contribution to networks combines stakeholder and network theory; and the networks he discusses are seen as surrounding a (focal) organization (Roloff, 2008). Indeed, organizational centrality is a starting point for much network analysis (e.g. Bryson et al., 2002; Pajunen, 2006; Rowley, 1997).

This connects to what has been called the ‘centrality of management’ problem (Roome, 2008) where managers construct themselves, or their organization, as the centre of the network, although they are merely actors in one or more systems (Roome, 2012). In practice TSOs often participate in network-like structures where multiple interorganizational relationships co-exist and where coordination is needed and possible (e.g. van de Ven & Walker, 1984; van de Ven, Walker, & Liston, 1979; Yip et al., 2002).

Although the network approach appears to offer insight into how TSOs deal with complexity and it has been suggested that networks have a role in addressing wicked problems (van Bueren, Klijn, & Koppenjan, 2003; Weber & Khademian, 2008), this approach too has received criticism. The contention is that although the network perspective is analytically more complete than other approaches to strategy, the main thrust it has taken a structuralist perspective (Kilduff & Tsai, 2003; Salancik, 1995), where conclusions about the actors or the network follow from the analysis of the network’s structure. Kilduff and Tsai (2003) observe that in fact much of the literature on social networks adopts some version of critical realism, putting the network structure apart from the realm of individual action, and thus considering it to be unchangeable. This objectivist position sees networks as external constraints on action, over which individuals have little or no control (Marsden, 1990). This is in contrast with current understanding of ‘wicked’ and ‘metaproblems’ which seek their resolution through collaborative and cooperative approaches (Chevalier & Cartwright, 1966; Conklin, 2005; Emery & Trist, 1965). In addition, network theory continues to emphasize organizations in the network rather than the system and the relationships between: parts of the organization and the organization itself; the various organizations in the system; and the organizations and the system.

A less common stream of the literature on strategy relies on ‘systems approach’ (Bunge, 2004; Gregory, 2007; Haines, 2000; Whittington, 1993). In this research, a systems approach is regarded as a framework for the study of complex, problematic situations, which require methods of analysis that acknowledge complexity and try to understand the social reality as part of a whole¹¹. A systems approach has been seen as a new paradigm in the field of management (Jackson, 2000). Within such an approach, the system structure, which is the result of a socially negotiated order, defines the system

¹¹ Please refer to Carvajal (1983) for a discussion on different interpretations of systems approach

behaviour; and strategy change accompanies changes in structure (Andersen et al., 2006). Nonetheless, this approach to management in general is not commonly used by organizations, which has led Ackoff (2006) to enquire over the reason for the limited number of organizations adopting systems thinking. An answer to this is the lack of management exposure to these ideas (Ackoff, 2006).

Notwithstanding, there is literature which suggests that systems ideas can be useful for understanding complexity. A system is understood as a set of interrelated elements with specific properties that govern both the elements of the set (system) and the set of elements that form the system, where the whole cannot be decomposed into independent subsets (Ackoff, 1974). These properties led Ackoff (1999) to suggest that no issue can be explained, nor any response formulated, without an understanding of the system of which it is part. This is different from traditional views of strategic decision-making where context is acknowledged, without requiring an understanding of the whole system. When the interactions between elements and the system are relatively minor, the systems approach adds complexity to analysis, delaying strategy making while offering little by way of strategic insight. However, when interactions are significant, complexity increases and the systems approach becomes more important. The more complex the system and the greater the number of actors involved, the more demanding the definition of the system becomes. According to Andersen et al. (2006), at the end of the strategic planning and management process, systems thinking is required; and given high enough stakes and complexity, computer simulation should be used. For instance, Tucker et al. (2005) explore the utility of systems thinking and system dynamics modelling as decision-making tools for leaders in social purpose organizations, i.e., nonprofit organizations that seek revenue from traditional business activities in order to fulfil their social missions.

A synthesis of this literature leads to a set of key research questions, which provide a basis for empirical research on TSOs in settings characterized by complexity, and where networks are seen as a response to that complexity. These questions are:

- 1) How do organizations understand the implications of multiple interorganizational interactions for the strategic management of a TSO?***
- 2) How do we conceptualize and understand the formulation of strategy by TSOs, when they respond to problem complexity through interorganizational networks?***

3) How do TSOs pursue their missions in the context of interorganizational networks where they face the challenges of competition, cooperation, and coordination?

2.4. CONCLUSIONS

Contrary to much of the strategic management literature on TSOs, we do not focus on specific techniques or tools, nor specific types of strategy used in strategic management in the third sector (for an extensive review on strategic management in the third sector please refer to Courtney, 2013). Instead, this chapter contributes to the strategic management literature as it relates to the third sector by analysing alternative views or perspectives of strategy when applied to TSOs – particularly service-providers –, as compared to the mainstream strategy perspectives also discussed in the chapter. The originality of the chapter rests in a thorough theoretical discussion and the expected empirical implications of exploring an approach to the formulation of strategy by TSOs that confronts problem and institutional complexity.

The chapter discusses the various strands of the current literature on strategic management as mostly developed in the for-profit sector and then applied to TSOs. This outline shows the development in our understanding of strategy, starting from an essentially static, external and organizationally centric view, to an increasingly dynamic approach that combines internal and external perspectives and different organizational actors. The review illustrates that the strategic management literature has also moved from a view based on competition between organizations, to a view in which the organization is seen as part of a network of competitive and collaborative organizations.

This chapter addresses the question: *“How do we understand and conceptualize the strategic management of TSOs that confront multiple types of complexity?”* It considers complexity in relation to problems and conflicting institutional logics that are often felt by TSOs. It is noted that there is a rather sparse literature on strategy making in TSOs that takes account of the distinctive nature of TSOs, and very little that deals with complexity. Instead, most strategy has developed from understandings that originate from business organizations, with their competitive outlook, driven by market signals and contextual opportunities and internal capabilities. This is not seen as relevant to all types of TSOs, particularly social service-providers. Although TSOs compete for a

range of resources and for opportunities, they are, by mission and orientation, committed to solidarity of social purpose and their actions often overlap at the point of delivery. They are often bound through organizational interdependencies.

A review of the strategy literature indicates a growing awareness of the importance of interorganizational interactions underpinning stakeholder-models, actor networks, and multi-actor service delivery systems found mainly in the public management literature. However, deficiencies with these approaches arise from the centrality of the organization, or the network; the social complexity found in problems; institutional complexity deriving from the conflicting institutional logics; and the notion that strategy is more than an organizational level issue. Very little in the current literature on strategy begins with an acceptance of the need to consider issues that arise from interdependence. This implies the need to envision a strategy making that involves cooperation and coordination as well as competition; where cooperation is not just about seeking resources such as stability and legitimacy.

In practice, TSOs often operate as part of informal and formal networks. These provide a starting point for the formation of platforms through which TSOs cooperate or coordinate action to undertake the strategic tasks required by complexity. Networks and platforms provide a governance structure for TSOs and other actors.

This chapter contributes theoretical insights into the contemporary problem of complexity faced by so many TSOs as they take on a more significant role in addressing social issues and needs. The chapter therefore represents a response to the call for more theoretical contributions to strategy making relevant to TSOs that take account of the distinct nature of their work and context (Helmig et al., 2004). We propose that the main points of discussion raised here can be of great value in framing future empirical work on the way TSOs respond to complexity.

3. RESPONDING TO COMPLEXITY THROUGH A SERENDIPITOUS NETWORK: IMPACTS ON ORGANIZATIONAL STRATEGY IN A MULTILATERAL PERSPECTIVE^{12,13,14}

*Today's problems come from yesterday's "solutions"*¹⁵.

(Senge, 2006, p. 57)

Operational and strategic challenges for third sector organizations (TSOs) increase with the complexity of the environment in which they operate. In order to fulfil their mission TSOs increasingly have to take account of a complex web of relationships and network of interdependencies that arise in their operational domain. This chapter presents the results of an empirical study that explores the case study of a TSO and its interactions within a complex network of actors, in its work to help alleviate poverty. The TSO central to the study plays an intermediary role crucial for social capital formation among partners within the network. The case reveals the changing shape of the strategic content as the network around the TSO evolves. The study uses insights from key actors combined with published and non-published material to understand how the organizational strategy of the central TSO is formulated and influenced by the network, and to explore the dimensions of that influence as we move from a dyadic approach to a systems approach. The case points to the significance of cross-level influences and networked relationships, in addition to more direct dyadic relationships between the focal TSO and each of the other organizations.

Key words: *Complexity; intermediary; network; social capital; strategy; third sector.*

¹² This version has highly benefited from constructive feedback from Niels Noorderhaven, Jo Anne Schneider, and the committee members at different stages of its development. All errors remain ours.

¹³ Earlier versions of this chapter have been presented at the 39th Annual Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA) Conference, 17-20 November 2010, Alexandria, VA, USA; and at the 8th Workshop on the Challenges of Managing the Third Sector, 9-10 June 2011, Galway, Ireland. We thank the participants for their feedback on the chapter. All errors remain ours.

¹⁴ We would like to express our gratitude to the organizations and their representatives that made possible the study presented here. Nevertheless, the views and arguments expressed herein are the authors' responsibility and do not necessarily reflect the view of the organizations or representatives that participated in the study.

¹⁵ As put forward by Senge (2006, pp. 57-58), "Often we are puzzled by the causes of our problems; when we merely need to look at our own solutions to other problems in the past. (...) Solutions that merely shift problems from one part of a system to another often go undetected because (...) those who "solved" the first problem are different from those who inherit the new problem."

3.1. INTRODUCTION

“There are decisions that can be made in a coordinated way between the several organizations in order to have a much larger impact than through isolated initiatives”.

This quote from a third sector organization (TSO) interviewed in this study reflects the importance of responding to complexity in the environment. TSOs act mostly in areas such as education, social services, culture, and health (Anheier, 2005; Anheier & Salamon, 2006; Salamon et al., 2004). These areas of activity address various problems which, when combined, result in ‘problem complexity’; i.e., the complexity that arises in tackling issues like health, poverty and polluted environments, because they constitute interdependent problem-sets that are made up of connected problems (e.g. Ackoff, 1974, p ; Paarlberg & Bielefeld, 2009; Roome, 2001; Trist, 1983).

In general terms, complexity refers to the level of complex knowledge needed to understand the environment (Mintzberg, 1979; Sharfman & Dean, 1991). It has long been recognized that individual organizations are ever more confronted by challenges that arise from the complexity of the contexts within which they operated (Emery & Trist, 1965; Mintzberg, 1979). As a result, it has become clear that no single actor, whether a TSO, a company or the government, can tackle social problems such as poverty, health or pollution working in isolation; because the required information to understand the phenomena is so broad that no single actor is able to encompass it all. This complexity has resulted in calls for new forms of collaboration and interorganizational coordination, and networks have emerged as one organizational response to complexity (e.g. Ackoff, 1974; Chisholm, 1998; Roome, 2001; Trist, 1983).

In addition to the complexity of the problems faced, new institutional logics in the field of TSOs have also demanded similar responses. Institutional complexity, arising from the fact that organizations may be exposed to conflicting logics in terms of guidelines on how to interpret reality and behave appropriately in social situations (Greenwood et al., 2011), has also resulted in networks as a response. These logics include, for instance, changes in the mechanisms through which contracts are established with the state or new funding is provided (e.g. Provan et al., 2004; Stone, 1996).

This chapter presents the case study of a Portuguese TSO – ENTRAJUDA (EA) -, which works as an intermediate organization in its network of relationships. This network, which evolved serendipitously over time, is presented here as a way to respond to increasing problem and institutional complexity. Not only are the problems it deals

with recognized as being of an interconnected nature, but looking back at its establishment, EA's intended role seems to be, at least in part, a reflection of the challenges that TSOs in Portugal have faced over the last decades. These challenges include, among others (Nicolau & Simaens, 2010): the increasing need for alternative sources of funding so as to rely less on public funding; increasing competition, and the quest for greater efficiency and effectiveness in mission pursuit; and the pressure for more management professionalism. Indeed, the lack of managerial professional competencies was identified, at the time of EA's establishment, as an important obstacle to the improvement of TSO practices, both in the day-to-day operational activities and in strategic management (Carvalho, 2005; Veiga, 1999).

In light of the increasing economic and social significance of the third sector to society, the extent to which these organizations are able to pursue their mission is essential to economic sustainability particularly (Salamon et al., 2004). As in businesses, the mission of TSOs sets the grounds for the strategic management process, guiding organizations into action (Drucker, 1989). In this chapter, we focus on the strategic management process, and how it has potentially been shaped by the network around the focal TSO. Hence, this chapter examines how TSOs that operate in complex settings deal with networks of interacting actors; and the impact of these issues in their strategic thinking and practice.

The chapter is divided into five main sections. The theoretical contextualization is followed by a section that provides a short introductory description of the case. After that, an outline of the research methodology is given, and the associated challenges are highlighted. The main findings are then presented. The chapter ends with a discussion of those findings and draws out the main conclusions.

3.2. THEORETICAL CONTEXTUALIZATION

3.2.1. Networks, social capital, and intermediaries

Networks of organizations are important in addressing the complexity derived from the relatedness of problems and issues (e.g. Clarke & Roome, 1995, 1999; Yip et al., 2002), and from conflicting institutional logics (e.g. Provan et al., 2004; Stone, 1996). In

general, networks can unfold through two trajectories (Kilduff & Tsai, 2003): goal-directed and serendipitous processes. On the one hand, *goal-directed networks* develop around specific shared goals, since the network is established with the purpose of achieving certain network-level goals. This type of network is characterized as having a centralized structure with an administrative entity acting as a broker that coordinates the activities of the network as a whole (Kilduff & Tsai, 2003).

On the other hand, in *serendipitous networks* “individual actors make choices about who to connect with, what to transact, and so on, without guidance from any central network agent concerning goals or strategy” (Kilduff & Tsai, 2003, p. 90). These networks are therefore not goal directed and emerge as dyadic interactions between actors develop (Raab & Kenis, 2009). Relationships and transactions between agents operate within the context of the networks, but each agent is focused on its own goal achievement; and there is no attempt to effect changes on the structure or principles of the other network members (P. Davis et al., 2011). Hence, serendipitous networks exist where the “organizing principle is not goal consensus but dyadic matching in an evolutionary process of random variation, selection and retention” (Kilduff & Tsai, 2003, p. 92). This type of network is the focus of this chapter.

Related to the notion of networks is the concept of *social capital*, which “refers to the norms and networks that enable people to act collectively” (Woolcock & Narayan, 2000, p. 226). Schneider (2009) identifies two main schools of thought in the social capital literature: the supporters of Putnam’s work on social capital (Putnam, 1995), and the social scientists followers of the work developed by Coleman, Bourdieu, and Portes (e.g. Portes, 2000). A third approach, between these two, is the one taken by the World Bank, focusing on the role of social capital in attacking poverty (World Bank, 2001), which is a perspective close to the one adopted in this chapter.

As Schneider (2009, p. 644) puts it, social capital refers to “relationships based in patterns of reciprocal, enforceable trust that enable people and institutions to gain access to resources like social services, volunteers, or funding”. Indeed, it has been noted that high levels of social solidarity are not enough to tackle poverty if the resources and access to power are lacking (Woolcock & Narayan, 2000). By spanning structural holes between different groups, actors gain access, or at least the opportunity to gain access to new resources and new contacts (Burt, 1997; Granovetter, 1973). For instance, ties

created among human services agencies facilitate the flow of clients and patients (Provan & Milward, 1995).

Another related term is *organizational social capital* which refers to “established, trust based networks among organizations or communities supporting a particular nonprofit, that an organization can use to further its goals” (Schneider, 2009, p. 644). The literature on nonprofits tends to focus on the social capital created by these organizations for their members, rather than on the impact social capital can have for the organizations themselves (Schneider, 2009). As noted by Schneider (2009), aside from a few exceptions (e.g. Schneider, 2006; Weisinger & Salipante, 2005), most studies have conceptualized “nonprofits as black boxes that generate social capital”. In this chapter, we aim to look inside this black box. In particular, we look at the sharing and bridging of social capital, through the examination of a TSO and its network of relationships, where the TSO plays an intermediary role.

This resembles the organizational role of the broker, which is not limited to creating ties between different actors, but also includes mediation, and influencing the interactions between partners (Stadtler & Probst, 2012). Broker organizations moderate stakeholder discussions, help craft a shared vision, and build relationships and trust among the partners (Stadtler & Probst, 2012). Furthermore, these organizations can use their brokering position to gather and disseminate knowledge (Stadtler & Probst, 2012).

3.2.2. The strategic management process in the context of TSOs

The main elements of the strategic management process as identified in the nonprofit literature – similar to those of the business literature from where it originated – are formulation, content, and implementation (Stone et al., 1999).

Strategic formulation refers to how decisions are made. It involves a process of decision-making and problem solving. Still, in the not-for-profit context, the literature on strategic formulation has been mostly related to the use of formal strategic planning, rather than on the decision-making process itself (Stone et al., 1999). Formal planning in nonprofits, where it exists, has primarily been determined by internal and external factors such as organizational size (e.g. Unterman & Davis, 1982), board and management characteristics (e.g. Crittenden & Crittenden, 2000), or the funding environment (e.g. Crittenden & Crittenden, 2000; Stone, 1989), among others. With

regard to the decision-making process, clear steps have been theoretically and empirically identified and discussed (Nutt, 1984, 2000, 2008); among which stakeholder analysis has long been identified as fundamental for nonprofit organizations' strategy formulation (Freeman, 1984; Nutt, 1984).

Strategic content considers what decisions are made. It refers to the “identification and selection of activities that organizational leadership intends to pursue” (Stone & Crittenden, 1993). These actions and tactics make up the strategy, which is reflected in corporate, business, and functional level strategies (Stone et al., 1999). In terms of strategic content, the determinants of strategy are mostly driven by the characteristics of the resource environment and funder relationships (Stone et al., 1999). Recent research shows that TSOs' network ties and the resource streams available to them vary according to the services they provide and the clientele they serve, in accordance with their mission statements (Koch, Galaskiewicz, & Pierson, 2014).

Finally, *strategic implementation*, i.e. what is done, refers to the process by which plans are translated into action (Schendel & Hofer, 1979; Stone & Crittenden, 1993).

In this chapter, we are interested in understanding the way this strategic management process unfolds in the context of a serendipitous network of relationships that involve a TSO and the set of actors in the network. Hence, the main research question is ***‘how do organizations understand the implications of the multiple organizational interactions, which occur within networks for the strategic management of a TSO?’*** This research question was motivated by the idea that the way actors behave is influenced by what they see, and that what they see is filtered by their own perceptions and how they sense the world (Roome, 2012). This relates to the idea of enactment as explored by Weick (1988), often used in the strategy literature to explore sense giving and sense-making (e.g. Monin, Noorderhaven, Vaara, & Kroon, 2013). By seeking out the perspectives of individual actors, this research sets out to make explicit their tacit understanding of strategy making in the context of a broader system and network of actors.

Hence, we explore how strategy is perceived to be affected both by the set of interorganizational relationships between TSOs and other actors, and by the interconnectedness of social issues or needs in the problem domain. The specific research questions addressed in this research aim to explore how strategic management was developed by a focal organization, and to discover the extent to which its interactions with other actors were taken into account in that development. The specific

questions are thus: 1) how does the network of relationships evolve around a TSO?; 2) how do different actors understand the interactions in the network around a TSO, as they seek to address parts of the set of social problems and issues they all face?; 3) how is the strategic management of TSO developed and finally, 4) how do actors understand the dyadic influences and the cross-level interactions in and with the network of actors which shape the strategic content of a TSO.

Insights into these questions were developed through an empirical study of a Portuguese TSO – ENTRAJUDA (hereafter EA). The study examined the way in which individual actors within and around EA understood the organization's strategic management process. It also explored the influence of the overall set of organizational relationships that surround EA in that process. In the next section, we present a brief description of the case.

3.3. CASE DESCRIPTION

ENTRAJUDA is a Portuguese TSO set up in 2004. It was established to provide a bridge between organizations and individuals wanting to contribute to social care and support activities on one side; and TSOs that delivered social care on the other. EA also sought to enhance the capabilities of the TSOs it was connected with, so that they could be more effective and efficient in the delivery of their missions.

EA was created by people linked to the Portuguese Food Bank against Hunger (FBAH); in particular, the president of the FBAH became president of EA. The FBAH initiated its activities in Lisbon in 1990, but subsequently expanded its operations throughout the country. In doing so, it gained experience of working with TSOs that were active in a range of overlapping areas that addressed various aspects of poverty. It also became aware, however, that many of these TSOs lacked managerial capabilities. EA was thus set up as a response to this realization, with a twofold mission: “to strengthen the nonprofit sector, namely social solidarity organizations, by making accessible the means and resources required to allow them to exercise actions in the areas of social inclusion and fighting poverty”; and “to mobilize people of goodwill for a structured civic intervention in fighting poverty” (ENTRAJUDA, 2008, p. 2).

Since 2004, EA has diversified its activities, providing an increasing number of services and products that include providing support and training for other TSOs, managing a

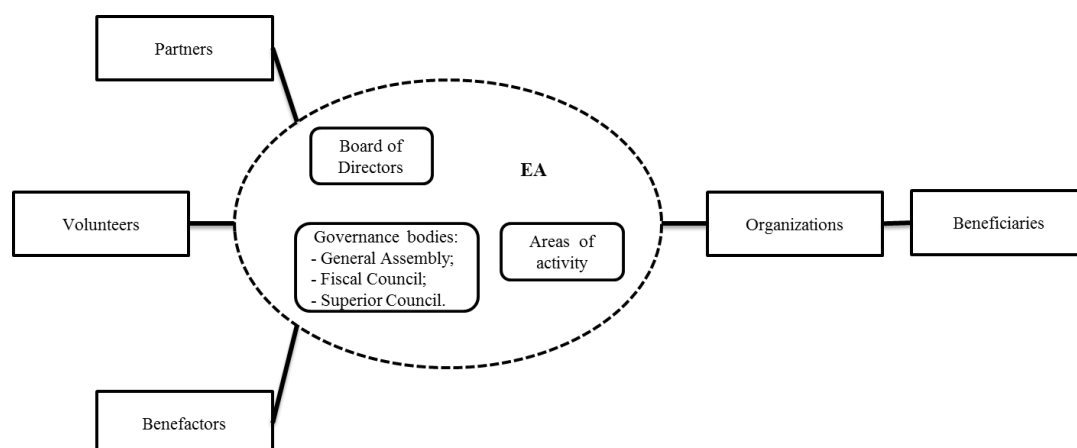
pool of volunteers to support TSO activities, health care through volunteer doctors, and storing a bank of donated goods and equipment.

EA provides TSOs with managerial support through a series of clear steps: diagnosing problems and needs, searching for solutions, mobilizing partners and volunteers in order to implement those solutions, and finally, evaluating impacts and performance. EA draws on a wide range of partners, volunteers, and benefactors to provide support to social solidarity organizations. It acts as a central coordinator between a network of individual and organizational resource providers and a similar network of service providers who work directly for those experiencing poverty. As such, it plays an intermediary or bridging role.

In its first five years of operation EA directly or indirectly supported more than 1700 social solidarity organizations, working with more than 380 partners, dozens of direct volunteers, around 11500 registrations in its volunteer pool, and almost a dozen corporate benefactors (ENTRAJUDA, 2009).

EA was an interesting TSO for the purpose of this research, as its strategy and its implementation involved collaborating with a wide range of actors who were fundamental to the activities of the organization, and who connected to a very large network of other TSOs, each delivering services to people in need (Figure 3.1).

Figure 3.1 - Scheme of the solidarity chain at EA



At the time of data collection, the areas of activity offered by EA, which composed its organizational structure, included:

- *Support to Organizations*: this spanned a wide range of services provided to applicant organizations, such as legal support, human resources, informatics, health and safety, among others. These support activities were developed mainly by individuals and partner enterprises that provided specialized services on a volunteer basis. This support also included specific projects for the organizations, developed by students of certain universities with which EA had a protocol. In addition, this area of activity also encompassed formatted Solutions, which constituted a range of products and services that, due to their recurrence and importance, had a standard format and could be applied in a wide variety of situations faced by the supported organizations, in areas such as Law and Structural Funds, among others.

- *Training*: this included training activities in diverse areas such as Management, Law and Human Resources Management, for instance. These activities were developed by and with the support of partners who provided the training and/or funded the activities.

- *Pool of Volunteers*: created in 2006, this consisted of a website where volunteers could register and look for opportunities to serve in organizations, which had posted their needs in terms of volunteer work.

- *Solidarity Health*: consisted of a chain of volunteer medical doctors and dentists - who provided services to people in need referenced by the organizations supported by EA. It had been acting in areas such as dental health and diabetes.

- *Bank of Donated Goods*: created in 2007, this bank consisted of pools of non-food goods donated by enterprises, which were then delivered to social organizations. The aim was both social and environmental, and intended to redistribute goods that would otherwise go to waste. These goods included hygiene products, clothing, furniture, and books, among many others.

- *Bank of Equipment*: with its genesis in the Bank of Donated Goods, this bank became autonomous in 2008 due to the specific characteristics of reuse and recycling for electric and electronic equipment. In addition to the recuperation of equipment for distribution among the organizations, this bank had obtained license to operate in residues management, which allowed EA not only to pursue its environmental aims, but also to receive money from the tons of equipment that were sent to recycling.

- *Supportive Projects*: these were special and isolated projects that EA considered relevant for its mission. Here EA worked as an intermediary between organizations in need of a specific type of support and the partner company providing it.

The next section presents the methodological aspects of the chapter, after which we present the findings and discussion.

3.4. METHODOLOGY

3.4.1. Research method

This research explores the serendipitous network of relationships, which formed around EA and its impact on EA's strategy. The research approach is inherently qualitative in nature and uses a case study method – with EA and its networks providing the focus. The case approach is particularly appropriate in addressing “why” and “how” questions, especially when there is little or no control by the researcher over events, and where the focus is on a contemporary phenomenon involving managerial decision-making that needs to be traced over time (Creswell, 2006; Yin, 2009). Yin (2009, p. 4) argues that the case method seeks to understand complex social phenomena, and allows for the retention of “the holistic and meaningful characteristics of real-life events”. Within this field, the method has previously been used to investigate strategic decision processes in not-for-profit organizations (e.g. Campbell, 2008); to the analysis of the stakeholder interactions with organizations (e.g. Friedman & Miles, 2006; Kochan & Rubinstein, 2000; Roome & Wijen, 2006); as well as to network studies (e.g. Ozcan & Eisenhardt, 2009), and network approaches to complex multi-actor problems or metaproblems (e.g. Clarke & Roome, 1995; Clarke & Roome, 1999).

Despite the suitability of the case method to the type of phenomenon at the centre of this study, there is no claim that it allows the construction of an objective perspective of reality or leads to generalizable results and findings. Instead, the approach accepts that multiple perspectives of a complex set of relationships exist simultaneously among actors. Furthermore, it considers that it is preferable to acknowledge that complexity and bring it to the fore, than to insist that “one particular representation of a social network be privileged over another as the ‘true’ network” (Kilduff & Tsai, 2003, p.

117). Multiple ‘realities’ provide the content of the case, and the extent to which they provide a homogenous or heterogeneous narrative constitutes part of the findings of this research.

3.4.2. Data sources and collection

The collection of data for the EA and its network case study involved the use of multiple sources, principally interviews, documents, and reports. Data collection was performed in 2010 and followed a protocol (Yin, 2009) that began with desk research on EA. After a first contact with one of the organization’s founders, there was then a first round of interviews with three key individual actors who had a role in devising its strategy, including the president and co-founder of EA.

In addition to these internal interviews, six further interviews were undertaken with representatives of two organizations supported by EA and four corporations, which were referenced in the interviews as important stakeholders for EA’s strategic decision-making. The intention of the study was not to explore the whole network of relationships surrounding the organization, but instead to provide a deeper understanding of its strategic issues as seen by key actors, identified as important for EA’s strategy.

As such, the interviews were limited to actors mentioned by the initial three interviewees from EA. Eight potential interviewees were identified from among EA’s two main external stakeholder groups: the organizations supported by it and the partners that provide support for its mission. Two of the actors approached did not reply, which left nine interviews in total (three with internal stakeholders and six with external stakeholders). All but one of the interviewees consented to their interview being audio recorded. Field notes from the visits to EA were also taken.

Two interview guides were developed based on open-ended questions (Appendix 3.A): one was developed for the interviewees from EA; and the other for the actors identified by EA as important stakeholders in terms of their relevance to the organization’s strategy. The interviews were face-to-face, and took place between February and May 2010. They were conducted in Portuguese. In order to ensure the anonymity of the interviewees, the identities of people and organizations are concealed.

Secondary material was collected and read to form a picture of EA. This included Annual Reports, activity plans drawn up since 2004, information from the organization's website, and organizational bylaws. For the non-EA interviewees, the Annual Reports and official online information of their organizations were collected and analysed whenever available. Secondary data on the organization involved in the establishment of EA, the FBHA, were also analysed in order to provide deeper contextual insight into the organization, its partners, and their relationships. Overall, over 55 data sources were collected and analysed (Table 3.1).

Table 3.1 – Data Sources collected and analysed

	ORGANIZATION								Total
	Entrajuda	STK4	STK5	STK6	STK7	STK8	STK9	STK10	
DATA SOURCE									
Primary data									
Meetings	1								1
Interviews	3	1	1	1	1	1	1		9
Field notes	3								
<i>Total</i>	<i>7</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>0</i>	<i>13</i>
Secondary data									
Activity/Social Reports	7	2	3			3	1	6	22
Activity Plans	4								4
Newsletter/Brochure		1	1				1	1	4
Website	3	1	1	1		1	1	1	9
Other	2	2							4
<i>Total</i>	<i>16</i>	<i>6</i>	<i>5</i>	<i>1</i>	<i>0</i>	<i>4</i>	<i>3</i>	<i>8</i>	<i>43</i>
TOTAL	23	7	6	2	1	5	4	8	56

3.4.3. Network boundary specification and sampling

As previously noted, the focus of this study was EA and the emergent network that developed around it as a consequence of its activities. In such networks, described as “serendipitous” (Kilduff & Tsai, 2003) or “networks in itself” (Raab & Kenis, 2009), the network is not created to fulfil a specific goal, but rather arises through the evolving relationships between organizations (in this case, around EA).

The study also adopts a post-structuralist perspective, in which it is held that there is no absolute truth about the composition of the network (Kilduff & Tsai, 2003). Rather, the network is described based on the perceptions of the actors involved in it (Marsden, 1990). An ‘ego-centric’ approach was used as the starting point from which to identify and define the network of organizations and individual actors directly or indirectly influencing the strategic choices of EA. In an ego-centric network, people are asked to

identify actors they are linked to based on a specific relationship (Knoke & Yang, 2008, p. 53). In this case, the network of relationships was anchored to the reference point, which was EA (Mitchell, 1969); and it was from the perspective of EA that a path into the network was developed.

Two responses were selected from this reference point as a way to deal with sampling problems (Scott, 2000). Although the intention of the study was to consider the egocentric network focused on the EA, rather than to try to measure the global properties of the network of relationships, the study did cover more than just the first tier relationships traditionally studied in the stakeholder literature. The use of the snowball technique allowed actors relevant to the strategic decision making process of EA to be identified in successive interview rounds. The interviewees from the top management of EA were asked about the actors most important to their strategic decisions; and those actors when interviewed, in turn identified other important actors.

A review of EA's annual reports from 2005 to 2009 allowed all of its partners and the organizations it supported to be identified. This review provided an important picture of the evolution of the two networks around EA: supporting partners and client organizations¹⁶ that provided service to the population.

Finally, as mentioned before, EA originated from a network organization - FBAH. Thus, analysing FBAH along with EA can shed light on the co-evolution of the shared network of actors over time, which is crucial for the detection of cross-level interactions.

The network of relationships around EA and the FBAH was traced using the Visone software, and the list of organizations that were supported by both organizations over the period 2005-2009. This meant that when a client organization was supported by either of the two organizations in the same year it was identified.

3.4.4. Data analysis

The eight-recorded interviews and the notes from the ninth interview were transcribed. These transcripts were read and re-read in order to get a sense of the material away from the interview setting, before undertaking a more detailed analysis (Miles & Huberman,

¹⁶ For the sake of a better understanding, the organizations that are supported by EA are termed here as "clients" or "client organizations".

1994). Both the primary and the secondary data were coded. Despite some scepticism in the literature with regard to the use of qualitative research software (as discussed in for example: Corbin & Strauss, 2008), in this case we found the use of MAXQDA particularly helpful for coding and then categorizing the large amounts of text that came from the interviews (Kvale & Brinkmann, 2009; Yin, 2009). It also made the process faster and helped improve the rigor of the research (Silverman, 2005).

The coding of the relationships was partially derived from the literature (Appendix 3.B). It included: a) codes related to a priori characterizations of the relationships in the network (such as critical contingencies (Oliver, 1990), dimensions of relationship (van de Ven, 1976; van de Ven et al., 1979), relational content (Knoke & Yang, 2008), and reputation and trust (Barnett, Jermier, & Lafferty, 2006; Zaheer, McEvily, & Perrone, 1998)); b) codes related to strategic management (including involvement in decision-making (Wooldridge & Floyd, 1990), the strategic management process in TSOs (Stone et al., 1999) and stakeholder groups (Freeman, 1984)); and c) codes related to the systems approach (such as the role of networks in metaproblems (e.g. Clarke & Roome, 1995; Roome, 2001; Trist, 1983), and environmental interconnectedness (based on Emery & Trist, 1965; Oliver, 1991; Pfeffer & Salancik, 2003)).

During the coding process, new themes emerged and new codes were created as a result. The exploratory nature of the study taken together with the central research issue meant that the research followed an inductive approach, where the main themes used in the analysis were generated entirely from the contents of the interviews. This approach to analysis thus privileges the perceptions and views of the participants in the study over the views of others. This was important, because these participants were directly involved in the strategic management process, and in the management of the relationships that were established in the emergent network.

After coding the primary data obtained from interviews, data from secondary sources were coded in order to triangulate factual content through the use of different data sources (Yin, 2009). This triangulation approach was not used in relation to the material provided by the interviewees, because as previously noted, the purpose of the interviews was to explore how the actors themselves perceived the multiple influences acting on and through the network.

Attention was placed on the reliability and validity of the research (Yin, 2009). The reliability of the findings was strengthened in a number of ways. The procedures

followed to generate the case study findings, the interview protocol and the database sources were clearly documented. Notwithstanding, it should be acknowledged that the complex reality of the network means that the findings are probably unique to the case, a reflection of the nature of emergent networks and of the perceptions of the actors interviewed. This means the findings are heavily dependent on socially constructed truths (Astley, 1985).

Validity was also sought in a number of ways. The validity of the key constructs used in the study was promoted by taking and clearly defining the concepts considered critical in the literature, despite the variety of concepts and interpretations of networks in the literature. The decision was to define, at the outset, the key concepts that were to be adopted in the case studies and the analysis of findings, and maintain these definitions throughout the research. The validity of the constructs in the case study was ensured through the use of multiple sources, and the opportunity given to the informants from EA to revise the draft of the case study report. Unlike hypothesis-testing studies, where statistical generalization is a major concern, the type of research reported here seeks analytical generalization (Yin, 2009). This demands a clear definition of the domain to which the findings can be generalized, so that there is a logic that can allow the study to be replicated at some time in the future. Given the exploratory nature of the case study, internal validity was not a concern (Yin, 2009).

3.5. FINDINGS

The presentation of the findings is organized as follows: 1) exploring the evolution of the network of relationships around EA; 2) exploring how the different actors understood the interactions in the network around EA, as they sought to address certain parts of the set of social problems and issues that constituted the metaproblem they all faced; and finally, 3) exploring the strategic management process in EA, together with the way actors understood the dyadic influences between EA and other actors, and the cross-level interactions in the broader system.

3.5.1. Evolution of the serendipitous network of relationships

Interviewees were asked about the evolution of EA's network of relationships as well as any specific relationships that were of interest and concern to them. Replies mostly

focused on partners and client organizations, which were the most frequently mentioned stakeholder groups in the interviews.

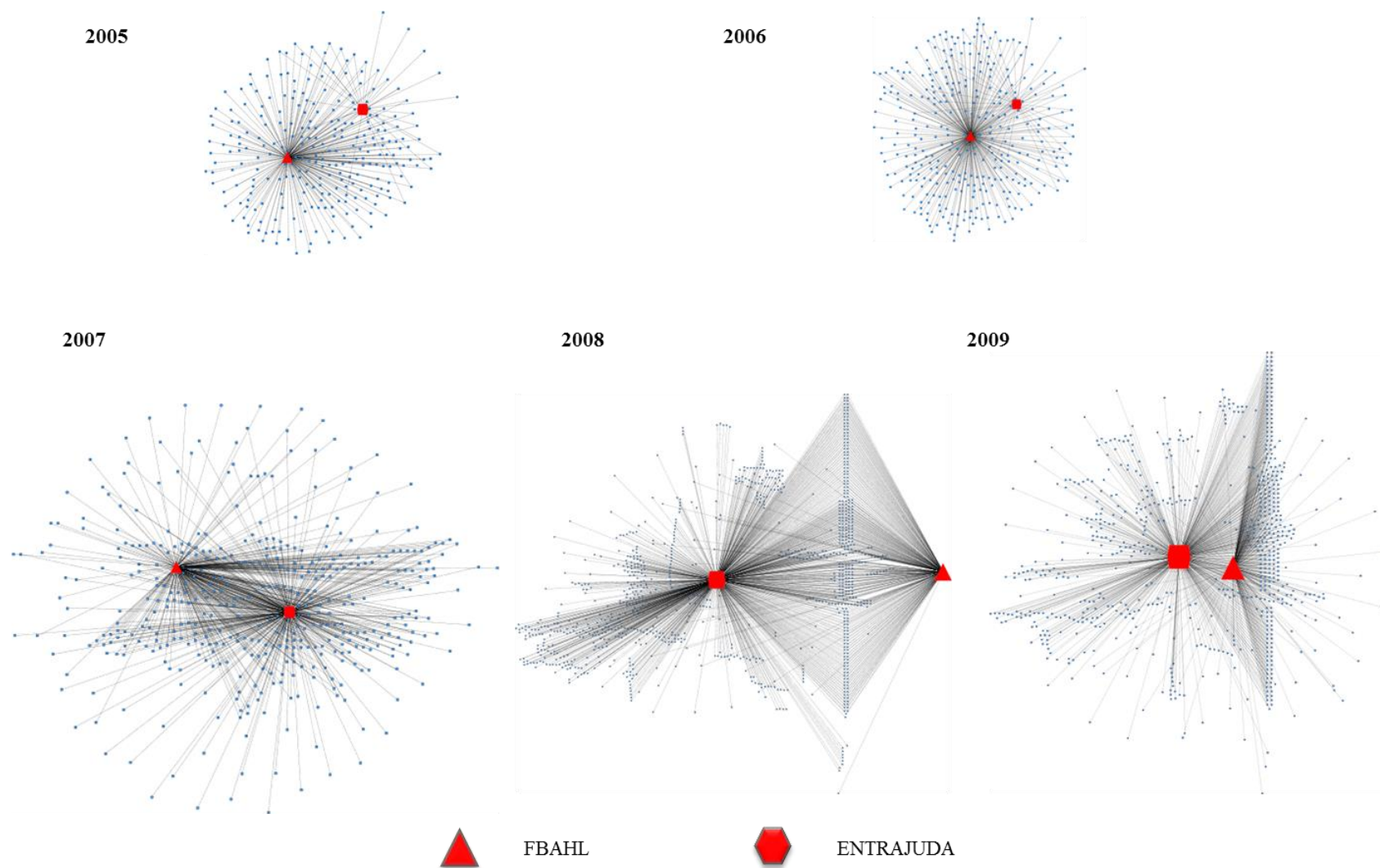
The origins of EA as a response to needs identified by key people involved with FBAH in Lisbon, have already been mentioned. It is worth noting, however, that although some individuals played a leading role in both organizations, the two were completely autonomous. Despite this, some interviewees tacitly linked the two organizations, and sometimes even mixed the names of EA and FBAH during the interviews. The transcripts show that the interviewees sometimes used the name FBAH, and then immediately corrected themselves, saying ‘no I mean EA’.

This confusion was likely due to the fact that both organizations had the same president and shared some managers. Furthermore, the partners and clients of FBAH - Lisbon provided the basis for the partner and client list of EA. In other words, there were strong interpersonal ties and overlaps in the network of organizational relationships between FBAH and EA. Naturally, the reputation of the president, established in her work with FBAH, spilled over to EA.

EA had progressively gained its own distinctive "identity", however, and by the time of data collection, the range of actors in the EA network had grown far beyond the original FBAH network. Figure 3.2 shows the changes in the network of client organizations supported by the FBAH and EA between 2005 and 2009. It also shows the core network EA took up from FBAH and the way this grew (until 2009) with the growth of EA's activities.

This expansion in EA's network arose from a number of factors. For example, the establishment of the Bank of Donated Goods and Equipment in 2007 meant that EA was seen as a resource repository, as well as a broker between partners. The establishment of a place to stock non-perishable goods furthermore opened EA to the possibility of distributing goods to places beyond Lisbon. Moreover, EA's role and reputation as an intermediary of collaborations developed as its network of resource providing partners grew. And as the partner network grew, EA was able to provide for the needs of more client organizations. This was likely not detached from the intermediary role played by EA, which helped it build a wider basis of social capital.

Figure 3.2 – Evolution of the network of organizations supported by EA and FBAH between 2005 and 2009



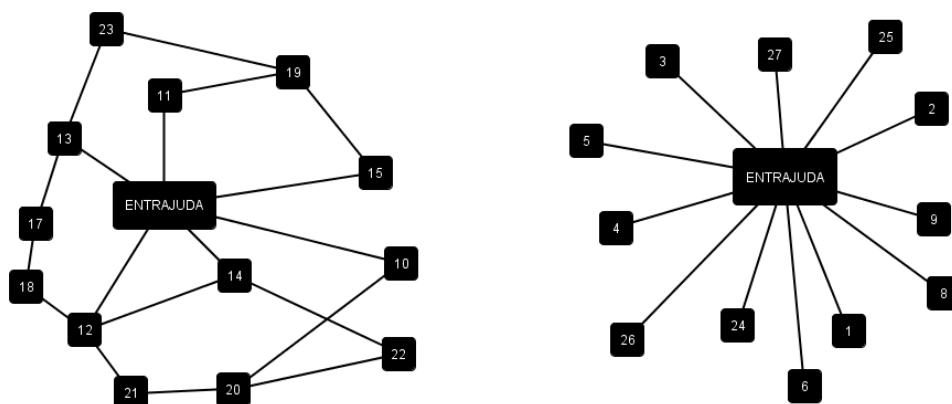
Source: Based on Annual Reports of EA and FBAH (BACFL, 2005, 2006, 2007, 2008, 2009; ENTRAJUDA, 2005, 2006, 2007, 2008, 2009)

From the analysis of the data, the evolution of EA's network of relationships followed a) prior ties between organizations and FBAH - Lisbon and b) personal ties between the president and other people inside FBAH as they developed EA. The subsequent growth of the network, in turn, appeared to be due to: a) client applications for projects and fundraising, b) EA's increasingly clear identity and reputation, c) the exogenous provision of services by partner enterprises and demand from possible client organizations, partly as a result of d) a much wider recognition of the value of a service model of this kind with its expansion beyond the Lisbon region.

3.5.2. Interactions of actors in the network of relationships

To explore the extent of the interactions among the actors in EA's network of relationships, interviewees were asked to respond to two alternative images of the possible organizational relationships between them and EA. Figure 3.3 provides a simplified representation of these interorganizational relationships. The image on the left represents a somewhat more dense and complex network, with multiple links beyond dyadic ties – we will call this the 'complex network'. The image based on dyadic ties between EA and others is shown in the image on the right – we will call this the 'centralized network'. The responses of the interviewees to these two images were mixed, which might indicate the existence of an intermediate situation, or reflect their own position in the network.

Figure 3.3 – Simplified illustration of possible interorganizational relationships around EA



The interviewees recognised that there was an effort to build a network of relationships around EA that provided the basis for synergies and added value. It was understood that EA provided support for people in need through the support they fostered among client organizations. The representatives of the client organizations furthermore considered that the ‘complex network’ characterized the relationships between EA and the network better than it characterised their own work. They noted that this was because EA had a determinant role in establishing links, not only between organizations and companies, but also among the non-profit organizations themselves. Company partners also tended to emphasize the ‘complex image’, but highlighted it more as a representation of their own work than a representation of the work of EA.

Beyond these initial views of the representative nature of the images, the respondents stated that in practice things tended to work on a one-to-one-to-one basis. That is, the work was typically carried out in a partner-EA-client institution relationship (or, conversely, in a client institution-EA-partner relationship) - a reflection of EA’s bridging role. The respondents also recognised that this representation could become more complex if a project involved collaboration among multiple actors, or a sequence of projects, with two or three actors at each stage. In these cases, EA was classified as having a centralizing or coordinating function; which is in line with its intermediary or bridging role.

The respondents were then asked to reflect on the complex and simplified images in relation to the role of the network of actors – e.g. partners, client organizations, and EA – in addressing problems such as poverty. Although not using that label, the respondents noted that poverty had the characteristic of a ‘wicked problem’; they acknowledged that it had many facets, with each facet often the responsibility of different organizations; and that it was a problem that could not be solved. There was also a strong conviction that poverty was a ‘metaproblem’ (again without actually using the label), because it was recognised that poverty was best addressed by many interests working together through coordinated actions within a network. For example, respondents commented that *"effectiveness is multiplied"* (Interview 9, Partner); *"it is like viral networks... a thousand times more effective"* (Interview 1, EA); *"organizations are stronger if they work as a network instead of as competitors"* (Interview 3, EA); *"if the organizations are more efficient, it benefits the whole"* (Interview 3, EA); or *"there are decisions that*

can be made in a coordinated way between several organizations in order to have a much larger impact than through isolated initiatives" (Interview 4, Client).

These comments reveal the perceived value of a network approach in addressing the problem complexity arising from the fact that there are interconnected problems and issues that contribute to 'poverty'. Nevertheless, there was an equally strong perception that TSOs compete with each other for resources, clients and support; and that in so doing, they undermine their capacity for coordinated action as a network, even though coordinated action would allow for a better deployment of resources for the benefit of the populations in need. This was something mentioned by many interviewees, independently of their position in the network. These ideas expressed in the interviews about cooperation and competition between actors reinforces the need to look at strategic management in the context of the TSO and its network.

3.5.3. Strategic management process at EA

The main elements that constitute the strategic management process are the formulation, content, and implementation. Below, the strategic management process as it was developed at EA at the time of data collection is presented. Even if purely descriptive, this section is important to set the stage for the next research question.

Two main types of decisions determined *strategy formulation* at EA. First, decisions arising through the annual cycle of decisions and approvals, which resulted in annual strategic plans and EA's annual report. Here, the Board of Directors formalized the strategic plan through a five-year strategic cycle, with rolling plans that permitted adjustments to the overall plan as issues changed or emerged. In this way, the Board of Directors presented its main strategic ideas to EA's General Council (which had an advisory role) in order to obtain new inputs. EA could also seek the specialized external support of a consultant firm to provide specific strategic guidance and orientation. EA bylaws also required that the Fiscal Council give advice. After the input from these internal and external bodies, the Board then submitted its plans and reports to the General Assembly for their final approval by vote.

Second, there were decisions about the way the lines and axis of strategy were acted upon, once they had been approved by the General Assembly. This involved determining the actions needed to make projects operational, based on an evaluation of

the resources and means available, together with the identification of emerging needs among client groups. Emerging needs were based on knowledge arising from areas of activity in the field (e.g. Training, Support to the organizations, and so on). These decisions on the implementation of strategy required EA's Board of Directors to meet regularly with each area to consolidate ideas and check if the strategy, as formulated, was adequate for implementation in the field.

EA's different areas of activity had a fundamental role in the process of assessing implementation vis a vis the formulated strategy, although the ability of the area coordinators to influence the Board of Directors often depended on their seniority and background. The members of the Board, area coordinators, and tutors who defined and implemented projects in support of social organizations were all volunteers. The importance attached to volunteers followed the strongly held view that 'volunteers were the DNA of the organization' (Interviewee 3, EA).

The Board of Directors undertook stakeholder consultation as part of the process of formulating the strategic axes of the organization. For example, when EA was created, it launched a survey of the social solidarity organizations that were at that time supported by the FBAH in Lisbon. This survey sought to identify the managerial and organizational needs of these organizations. Since then, EA has periodically collected opinions and assessments of the needs of these organizations through surveys.

The *content* of EA's strategy follows from the strategic management process described by the interviewees and the documents analysed. This analysis identified eight main themes related to the content of strategy in EA's strategic management process. These were: a) Mission, role, and activity focus; b) Geographical scope of activities; c) Resources, products and services; d) Partners; e) Clients (organizations supported by EA); f) Capabilities and knowledge; g) Organizational structure; and h) Visibility and reputation. These eight themes are explained in detail below in subsection 3.5.4.

Finally, the data showed that during *strategy implementation*, there was EA made an effort to continuously adapt in light of changes in context. These adaptations were then reflected in EA's cycle of rolling strategic plans. This meant the broad strategic axes were set, and then medium term plans were made operational through rolling plans that involved an assessment of whether strategy was adequate in relation to changing demands and available resources.

Due to the nature of EA's mission and role, the implementation of strategy involved linking with two fundamental communities of actors: partners able and willing to support the projects and who helped accomplish them; and the client organizations who were the recipients of those projects. This means that the implementation of strategy by EA involved creating a bridge between partners and client organizations, and overseeing the agreements, commitments, and deliveries between them in individual projects. EA's focus was thus on the success of the relationships it intermediated between partner and client.

In addition, EA also had a strong focus on the internal evaluation of collaborative projects between partners and client organizations, emphasizing transparency and accountability in their working relationships. EA regularly reported to its stakeholders on projects and collaborations; both when this was written into the contracts underpinning the collaborations and on a voluntary basis when it was not.

Beyond regular reporting, some partners also requested additional information in order to comply with, or conform to, requests by external parties. For instance, one partner was a member of the London Benchmarking Group, and so had specific reporting requirements, to which EA complied positively. EA was concerned with identifying successes, but it was equally concerned with reporting reasons for any failures, so that areas for improvement could be identified, and feedback provided to partners and clients. This attention to the evaluation of projects that contributed to strategy implementation was bound to the delicate relationship EA had with partners and clients. EA's overall strategy depended on its reputation as an effective intermediary, and its performance as such depended on the success of the collaborations it fostered, and its capacity to maintain effective collaborations.

3.5.4. Strategy content, dyadic influences and cross-level interactions

The final research questions set out to explore the dyadic influences between the organization and its stakeholders and cross-level interactions in light of the strategic content themes presented above.

Interviewees were asked for their comments on the *dyadic influences* between EA and themselves as actors in the network. This line of questions aimed to explore the extent to which dyadic ties between EA as the focal organization and other stakeholders

influenced EA's strategy and operations, as well as its dual network of partners and clients organizations. Interviewees were prompted to consider direct and/or indirect influences, benefits, requirements, and inconvenient aspects. Analysis of transcripts showed a number of perceived influences.

Although a dyadic approach to relationships within a network between the focal organization and other organizations can be useful for managers and other stakeholder as well, it may also conceal a 'bigger picture' of the system or systems to which EA contributes. Relationships go beyond the sum of all the dyadic interactions within a network or within an area that is served by a network. Hence, we also looked for *cross-level interactions*, in order to both unfold the dynamics of the network, and get a sense of how different actors interact and mutually influence each other through a complex web of relationships, beyond dyadic ones.

Interviewees were asked to comment on the role and influence of the network of relationships on the strategic decisions of EA. They further discussed their perceptions of EA's influence on the network, both through its impact on the network itself, as a whole; and through its direct influence over individual members. Although it was not always easy for the interviewees to identify these potential influences when asked about them directly, the interview data allowed several potential interactions to be depicted.

Next, we describe the eight strategic content themes enumerated above, based on both dyadic influences and cross-level interactions found in the data relating to each of them.

3.5.4.1. *Mission, role and activity focus*

Strategic content for EA: EA's mission had two main axes: fighting poverty and breaking poverty cycles. These two axes provided the basis for the content of EA's strategy and the areas of activity it served, creating a basis for the evaluation of the strategic fit of any new projects it developed. In addition, EA defined its role as a "bridge" between those that need help and those that want to provide it.

Dyadic influences: EA was influential in the way client organizations developed and defined their own mission, strategy, and the focus of their activities. For instance, some clients developed the skills to define their mission, vision, values, and strategy through training provided by EA.

Cross-level interactions: EA's mission and *raison d'être* was to support people in poverty through the agency of client organizations that were in direct contact with those in need. Ultimately, EA's mission was influenced by the way poverty evolved partly because of the interactions among the various actors at the systems level. EA's role as an intermediary implied the idea that its contribution was in promoting more effective and efficient ways of dealing with poverty.

3.5.4.2. *Geographical scope of activities*

Strategic content for EA: This was a key strategic issue for EA as its activities progressively extended from the Lisbon region, where it started, to many other regions, leading to national coverage. This expansion led to a redefinition of other dimensions of strategy content (e.g. many activities were extended to provide for the needs of a wider-spread network of social solidarity organizations already supported by FBAHs around the country). For example, EA established a Bank of Donated Goods and a Bank of Equipment. If a social solidarity institution wanted to make use of these resources, they had to go to EA's warehouse, which was located in Lisbon. Consequently, the demand for resources from the Lisbon region was much larger than from the rest of the country, simply due to proximity. The challenge of the accessibility of the warehouse led to the new ways of redistributing goods and equipment to the rest of the country being set up whenever possible.

Dyadic influences: The extension of many activities to provide for the needs of a wider network of social solidarity organizations was made possible and facilitated by the existing relationship with the FBAHs around the country, because EA provided services and products to those organizations already supported by the various FBAH. Hence, the FBAH had a positive impact on the geographical scope of EA's activities.

Cross-level interactions: The geographical expansion of the scope of operations – namely through the existing relationship with the FBAHs throughout the country – meant that there were emerging classes of clients and partners, who were involved in other networks. Meeting the needs of more distant secondary actors could eventually lead EA to a partnership, in the same way FBAH Lisbon created spin-off FBAH organizations in other cities in Portugal. An example of how a partner's network could influence the geographical scope of activities comes from an EA partner that had been supporting the Bank of Equipment. The success of this project resulted in the partner

looking inside its own network for other organizations that might be interested in being a local partner in the expansion of the bank to the second largest city in the country. The critical strategic question for EA would thus be how to adjust to this expansion of scope.

3.5.4.3. *Resources, products and services*

Strategic content for EA: The resources, products, and services provided by EA are aimed at providing management and organization support, products and services, and professional training to social partners, in order that they may be better able to deliver services to help people out of poverty. These areas of organizational needs of client organizations were defined in two main ways. First, by EA detecting the needs of the organizations in general or through direct requests sent to it. This required that a clear and visible identity for EA be communicated, so the organizations could know what was possible. The development of this identity in fact became part of the content of strategy. Second, requests arose when EA staff visited organizations and diagnosed needs. The matching of resources, products, and services to those needs formed a significant part of the strategy process, requiring the involvement of skilled volunteers and partners.

Dyadic influences: Client organizations influenced the choice and adaption of the resources, products, and services offered through and by EA. In 2004, EA sent out a questionnaire to potential clients inviting them to comment on their needs. Periodical re-evaluations of those needs followed; and together with requests from the organizations, -shaped EA's offer. In addition, partners were able to link the resources they offered to the name of a project or to its visibility to a wider public (e.g. creating an association between the partner's activities and the project – e.g. Bank/sponsor and Bank/service offered by EA). Finally, the requirements of some partners in terms of the nature of the projects they supported were also mentioned as source of social innovation in EA itself.

Cross-level interactions: not found.

3.5.4.4. *Partners (mostly companies)*

Strategic content for EA: EA's choice of partners depended on an iterative process that implicated EA, social solidarity organizations and the partners who provided resources.

This involved an interaction between the social solidarity client organizations and EA's assessment of their needs. Those needs were then translated into identifiable technical knowledge or other resources. To complete the iteration, the interests of the project partners were then taken into account, in order to ensure that they were both interested and capable of delivering the resources, products, or services to the client in the location where support was required. EA's growing reputation as a trusted intermediary led to more and more partners seeking to collaborate with it to find clients with needs to match.

Dyadic influences: On the one hand, EA's reputation as a good broker of collaborations in the social area was a major influence on companies that were looking for a partner with whom to develop socially responsible initiatives. Partners selected EA because of its reputation and perceived credibility. On the other hand, however, some partners requested exclusivity as a condition for their support of a project, which impacted EA's choice of partners. Even when exclusivity was not requested, EA was careful to not put two or more partners who were market competitors in the same project, unless explicitly asked to do so. Overall, it was perceived that the importance of partners to EA was determined by the size of their commitment to client organizations or the size of the projects they supported. Interviewees also perceived that the greater the technical knowledge the partner brought and offered, the higher the influence it tended to have on the formation of the project and its content.

Cross-level interactions: EA's network of partners enabled it to access donations and support in specific areas of activity. For instance, a partner's communication agency had taken responsibility for communications concerning the Bank of Donated Goods, a project sponsored by that partner. Furthermore, some contributing partners invited businesses with whom they had relationships to support certain solidarity organizations, including EA. Other partners, searched inside their own network of relationships for new opportunities that could involve EA. That is, EA's activities were fostered by networks within the network, since these opened the opportunity for new donations and support.

3.5.4.5. *Clients (organizations supported by EA)*

Strategic content for EA: EA's initial selection of client organizations was based on a survey sent to all the organizations that received support from FBAH - Lisbon. This

initial list of potential clients reflected the geographic scope and origins of FBAH and EA. As EA's brand identity and reputation became more widely known, potential client organizations began to approach EA from outside this original geographic scope.

Dyadic influences: In addition to EA's attention to the needs of clients, there were other, more subtle factors influencing the links between partners and clients. For example, a partner's choice of project could be bound by the partner's business ambitions in a specific part of Portugal. A company that was going to start operations in a certain area might seek a project in that specific area of the country, to work with local organizations or a particular section of the population. These situations were less a project looking for a partner than a partner looking for a project location. In addition, business partners often wanted to link their support to projects that focused on a certain target audience, such as children or elderly people. These dyadic relationships with partners could then affect the choice of potential organizations supported by EA.

Cross-level interactions: The range of organizations from which EA received new calls for support was influenced in great part by word of mouth recommendations from existing client organizations, partners, and other actors. The geographical expansion and the offer of new products and services was influenced by the increasing demand. This means that the set of clients organizations supported by EA was affected not only by its direct ties (e.g. partners choosing clients), but also by the enlarged network (e.g. network of clients).

3.5.4.6. *Capabilities and knowledge*

Strategic content for EA: EA facilitated resources such as time, products, and expertise to the organizations that needed those resources. Since the provision of resources, products, and services assumed an important role in strategy, it required skilled volunteers and partners.

Dyadic influences: On the one hand, EA was perceived to influence the level of capabilities and knowledge of client organizations through the professional training it provided, directly or indirectly through partners. It offered volunteers in different areas, established the links between organizations and academic research, and so influenced the professionalization of client organizations, contributing to their efficiency, effectiveness, and professional standards. The value of this new knowledge was

acknowledged by partners as well as clients. On the other hand, partners influenced the level of knowledge and expertise that EA could offer its clients. Moreover, the provision of specialized knowledge by a partner and its importance to EA's mission was seen to affect the extent to which that partner had influence over EA, because of EA's dependence on it.

Cross-level interactions: EA was identified as having had a significant impact on the efficiency and effectiveness of social solidarity organizations. It advanced the depth and breadth of their management capabilities, with knowledge originating from both EA, and other partners, such as the companies that provided training (e.g. courses on Management for Social Organizations resulting from partnerships between business schools and EA, and financially supported by another partner, a Bank). This capacity development work was available to all social solidarity organizations, even those beyond the EA network. This suggests a potentially much wider effect in the community of EA's actions, beyond the impact on its stakeholders.

3.5.4.7. *Organizational structure*

Strategic content for EA: EA originally divided its work according to a number of support activities, which formed an area called 'Support in Organization and Management'. The activities in this area evolved and expanded as client organizations came into contact with, and developed confidence in, both EA and its partners. The expansion of the geographical scope of the demands on EA gave rise to organizational issues and led to organizational changes. In addition, organizational considerations led EA to divide its activities into three functions or areas of shared services. These were: Client Organizations, Data Management, and Partners. EA began to organise itself as a bridge between client organizations and partners.

Dyadic influences: EA's activities were shaped in part by the needs of individual client organizations. In addition, on occasion, the requests or conditions set by partners influenced the internal organization of EA's areas of activity. For instance, some partners requested separate reporting on a project as a way to demonstrate their commitment to community social responsibility or environmental sustainability. This led EA to make a formal separation between the Bank of Donated Goods (which was seen as a social responsibility) and the Bank of Equipment (which related to recycling

and so was linked to environmental sustainability). This division would not have been necessary had it not been the demands of some of the partners.

Cross-level interactions: not found.

3.5.4.8. *Visibility and reputation*

Strategic content for EA: Requests for resources, products, and services received by EA depended on EA's clarity of identity and its reputation for responsiveness to need. A clear and visible brand identity meant that potential client organizations knew what they could expect from EA. This brand development and attention to delivery became part of the content of strategy. The reputation of organizational and personal actors was also seen as important. EA's reputation was extremely important to its work and continued success. Several actors mentioned that EA had built a respected reputation by giving special attention to accountability. The prizes and honours it had received together with its approach to attributing and sharing success were critical.

Dyadic influences: Both partners and client organizations were an important influence on EA's visibility and reputation. Word of mouth increased the number of organizations that looked for EA's support, enlarging its potential client base. Partners and existing clients increased their visibility and the visibility of EA through their own media (e.g. newsletters, websites, conferences, and reports), enhancing public awareness. In addition, in terms of personal reputation, people at EA were able to transfer the positive reputations they had built through their work at FBAH - Lisbon to EA. The good work of the president of both organizations was specifically mentioned.

At the same time, EA also increased the visibility of its partners and client organizations through its work and actions. This was typically done through careful attention to the communication of joint activities. EA did not claim or privilege its role in projects over the role of others. It developed and attributed contributions to projects in a very equitable way. EA's reputation was therefore based on this link between visibility and equitable claims. Its reputation for its work also extended to the client organizations it supported; and they also recognized that reputation and credibility was transferred to them through their association with EA.

Cross-level interactions: It was perceived that EA increased the visibility of its client organizations, inspiring greater levels of confidence both within the enterprises, and

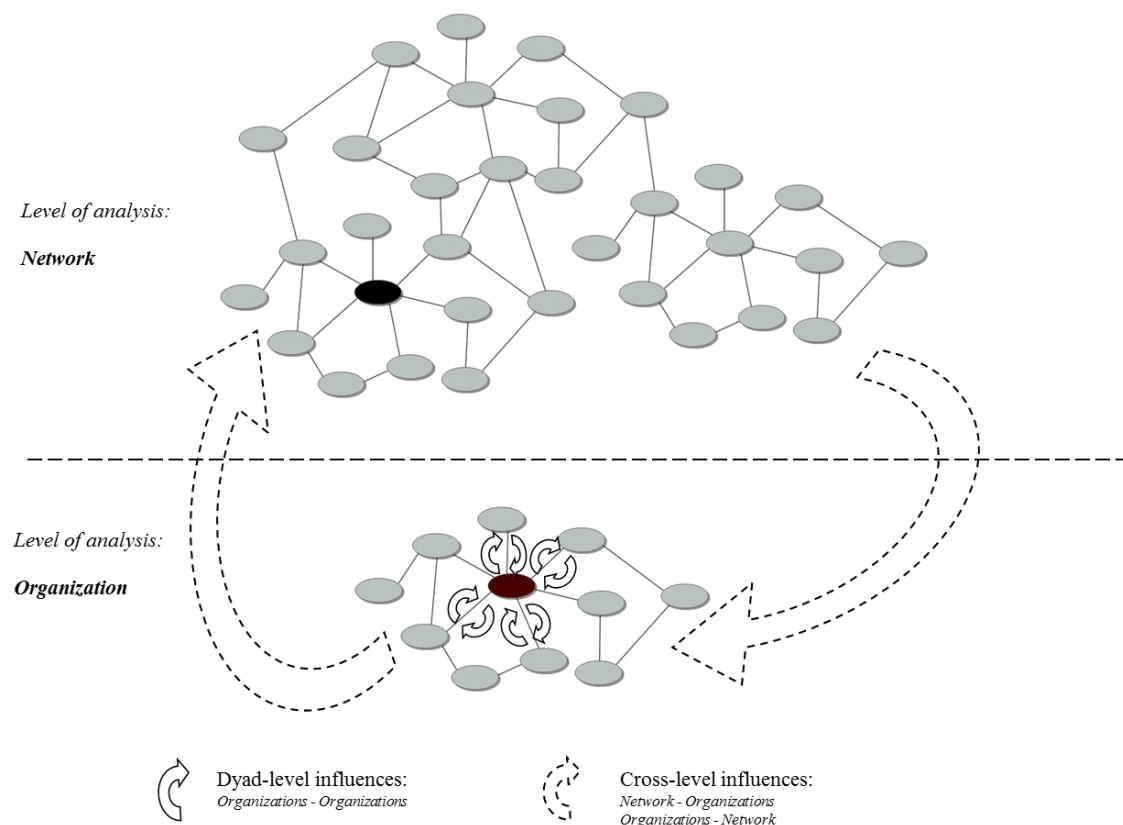
among partners working for the same client organization. This effect went beyond the lens of dyadic ties.

3.6. DISCUSSION

The findings presented above suggest that EA's strategy and strategy process can only be understood if the network is taken into account as a whole, beyond a dyadic approach to strategy.

Interviewees were asked to reflect on the mutual dyadic influences in their relationship with EA, as well as the interactions in the network around EA. Figure 3.4 presents the type of influences that were explored: at the dyadic level (organization-organization); and at the cross-level (network-organization-network).

Figure 3.4 – Overview of the influences explored at different levels



In terms of *dyadic influences*, overall, the interviews indicated that the level of influence was often seen in project-specific, rather than strategic, terms. Few stakeholder

organizations were perceived to have more than a small direct influence on EA's strategic decisions. Most organizations simply provided funds without requesting any involvement in the strategy through which those resources were used. EA was not pressured on strategic issues by any organization because of its expertise and performance in strategy implementation and evaluation.

In the case of partners, they appeared to accept proposals for projects based on the credibility of EA and its president. A partner's influence on EA at the project level depended on who took the initiative for the project, and the type of input the partner was making. For example, there were suggestions that influence depended on whether partners provided specialized knowledge, rather than money, or goods. Partners with a lower level of commitment to the relationship with EA, for instance, were perceived to have no real influence. The interviews highlighted several factors that had bearing on these dyadic relationships where EA affected others, but was affected by its stakeholders as well.

Although respondents tended to refer to influences in relation to projects (rather than overall strategy), our findings suggest that these dyadic influences did play a role on strategic issues as well, for both EA and its stakeholders. Indeed, we found influences at the dyadic level for all of the strategic content themes identified: 1) mission and scope of activities, 2) geographical scope, 3) resources, products, and services offered, 4) choice of partners and 5) organizations to support, 6) capabilities and knowledge, 7) organizational structure, and finally 8) visibility and reputation.

When *cross-level interactions* were considered, it became apparent that EA helped shape its serendipitous network, but was shaped by it as well. These cross-level interactions revealed influences that led to new opportunities coming from EA's network of relationships – such as expansion of the geographic scope of activities, access to new sources of donations and support, or introduction to new client organizations. There was also scope for EA, in interaction with its partners and organizations receiving support, to influence the network, by disseminating capabilities and knowledge throughout the network. This is in line with its role as a broker.

Going beyond the strategic content themes that were the thread of this reasoning, there was also evidence of EA helping *shape the network*, through its multiple connections with the actors in its network of relationships, and its promotion of direct ties among them. EA also introduced many partners to client organizations. These relationships

sometimes evolved in directions in which EA was no longer involved. This effectively reshaped the network, and at the same time weakened EA's central position of in the network.

Finally, EA and its network also to some extent helped *shape the social support system*. The widespread recognition of EA's work and the quality of its approach contributed to invitations to participate in the development of government policies by providing policy advice.

3.7. CONCLUSION

This chapter examined the strategic management process of a highly networked TSO in Portugal. It explored the insights provided by those close to its strategic decision-making, to get a picture of their perception of the interactions within the network level and what they saw as its main dimensions and influences on strategy.

Among other things, the findings suggest that when actors are invited to consider complex relationships, they often do so from their own position in that complex system, rather than from a system level. At the same time, however, they are also able to identify the significant influence on strategy making that arises from environmental interconnectedness, i.e., from the fact that environmental factors are interrelated and interorganizational relations among occupants of an organizational field are dense.

The chapter was intended to be more explorative than definitive; nevertheless, it offers several examples of how complex interconnections in the environment of the central organization can shape the future direction of strategy. For instance, the fact that EA's partners and its supported client organizations spread the word about the benefits of their relationship with EA contributed to the number of organizations looking for support through the network. This had profound impact on EA's strategic decisions. It was at the root of the strategic questions being raised at the time of data collection about the geographic scope of EA's activities.

There were also suggestions that EA's contribution as an intermediary between partners and client organizations might have to expand in the future, to provide for stronger coordination between partners and clients, so their work may better serve the complex overlapping problems and organizational interests at stake. This implies that the way

organizations such as EA define their mission, the resources they deploy, the products and services they offer, where they are offered and to whom, and with the support of which partners, is influenced by the network of relationships. This suggests that strategy for EA is about the organization, its dyadic relationships with partners and clients, and its constellation of networked relationships, where this constellation involves influences of the network of actors on EA and EA's relationships with the network and its parts.

This study is not, of course, without limitations. To begin with, it is a single case, in a particular geo-political context; which suggests that there is considerable scope for similar studies in different contexts that might corroborate or refute the main findings of this study.

The fact that EA by its very nature is an organization that does not exist as an end in itself, but as a means to bring together different actors with different contributions to the fight against poverty, may make the findings less representative for other, more competitive settings. The number of actors included in the study was limited, as the intention was not to saturate the network of relationships, but rather to derive some broadly established dimensions to the factors influencing strategy.

Despite these limitations, we believe that this work builds on current theory and moves forward our understanding of the dynamic relationships between networks of actors and strategy in TSOs. The work also contributes to the problems practitioners face on a daily basis, as they deal with the challenges of extensive formal and informal networks that shape and are shaped by their strategic decisions.

The study leads to suggestions for future research. For instance, the need to explore the differences between relationships that are naturally and voluntarily established through serendipitous networks, and those that arise from goal-directed networks. An analysis of examples where organizations simultaneously belong to goal-directed and serendipitous networks could shed light on the interplay and contributions of these forms to the strategic management of TSOs in those networks.

Appendix 3.A – Interview guides

A.1 – Guide of questions for the interviews with EA

Guide of open questions for the interview on strategic decision-making and the role of the networks of relationships of EA.

Strategic Decision-making

1. How do you describe the strategic decision making process? Which internal and external stakeholders are involved?
2. Which are the stakeholders that are more taken into account for strategic decisions? Which "take" more time of the EA Board of Directors in terms of the thinking about the potential inputs for the decisions and outputs from the decisions?
3. How do stakeholders influence the decisions? Are there direct and/or indirect influences? Which are the most influential?
4. How does EA respond to the needs and exigencies of its most influent stakeholders?
5. To which extent do certain stakeholders have interests and/or missions that conflict with those of EA?

Network of relationships and the organization

6. How has the evolution of the EA stakeholders been since its creation? What has promoted the increasing network of relationships that surrounds EA?
7. How does the network of relationships in terms of first, or direct, and the second order, or indirect (stakeholders of stakeholders of EA) facilitates and/or limits the strategic decisions of EA?
8. Which are the benefits that EA retrieves from the relationships established with the stakeholders? And the inconveniences?
9. How does EA influence its stakeholders? And the network in general?
10. Which is the role of reputation of the actors in this network of relationships? And trust among stakeholders?
11. How does the network of relationships facilitate and/or limit the achievement of metaproblems (e.g. poverty)?

Notes:

- Whenever pertinent, concrete examples can be provided in order to illustrate the reality.
- Besides groups of stakeholders, in general terms, such as partners, it would be useful to specify with organizations, institutions, and/or concrete individuals, so that relationships can be mapped. This is especially important if we consider double roles (e.g.: simultaneously benefactor or partner and the bank that provides services to the organization).

A.2 – Guide of questions for the interviews with stakeholders

Guide of open questions for the interview on relationship between stakeholders and EA and the network of relationships of the organizations.

1. What is the relationship of ... [organization] with EA? How has the evolution of the relationship been?
2. What are the benefits that ... [organization] retrieves from the relationship established with EA? And the inconveniences?
3. How can ... [organization] influence the decisions? Do you consider that there are direct and/or indirect influences?
4. How does EA respond to the needs and exigencies of ... [organization]?
5. How is ... [organization] influenced by EA? And by the network of in general?
6. How does the network of ... [organization] facilitate and/or limit the strategic decisions of EA, even if indirectly? Which are the stakeholders of ... [organization] that can have higher direct or indirect influence on EA?

7. Which is the role of reputation of the actors in this network of relationships? And trust among stakeholders?
8. How does the network of relationships facilitate and/or limit the achievement of metaproblems (e.g. poverty)?

Appendix 3.B – Coding schemes

B.1 Structural coding (linking codes with interview questions) - Questions to EA

CODE	NICKNAME	DESCRIPTION	Expected relation w/ structural codes...	Expected relation w/ theoretical codes...
Q1FO	Strat_decision	How do you describe the strategic decision making process? Which internal and external stakeholders are involved?	Q3STK	3.1 Involvement in decision making 3.2 Strategic Management Process in TSO
Q2FO	Stk_input	Which are the stakeholders that are more taken into account for strategic decisions? Which "take" more time of the Entrajuda Board of Directors in terms of the thinking about the potential inputs for the decisions and outputs from the decisions?	Q3STK	2.2 Attributed Influence 3.1 Involvement in decision making 3.2 Strategic Management Process in TSO 3.3 Stakeholder group
Q3FO	Stk_infl	How do stakeholders influence the decisions? Are there direct and/or indirect influences? Which are the most influential?	Q3STK	2.1 Perceived Influence/Impact 2.2 Attributed Influence 2.3 Dependence Balance 3.2 Strategic Management Process in TSO 3.3 Stakeholder group
Q4FO	Need_exig	How does Entrajuda respond to the needs and exigencies of its most influent stakeholders?	Q4STK	2.1 Perceived Influence/Impact 2.3 Dependence Balance
Q5FO	Conflict_int	To which extent do certain stakeholders have interests and/or missions that conflict with those of Entrajuda?		1.2 Dimensions of relationship 1.3 Relational content
Q6FO	Evol_stk	How has the evolution of the Entrajuda stakeholders been since its creation? What has promoted the increasing network of relationships that surrounds Entrajuda?	Q1STK	1.1 Critical contingencies 1.2 Dimensions of relationship 1.3 Relational content
Q7FO	Netw_infl	How does the network of relationships in terms of 1st, or direct, and the 2nd order, or indirect (stakeholders of stakeholders of Entrajuda) facilitates and/or limits the strategic decisions of Entrajuda?	Q6STK	2.1 Perceived Influence/Impact 2.3 Dependence Balance 3.2 Strategic Management Process in TSO 4.2 Environmental Interconnectedness

Q8FO	Benef_inc_stk	Which are the benefits that Entrajuda retrieves from the relationships established with the stakeholders? And the inconveniences?	Q2STK	1.3	Relational content
Q9FO	Infl_stk_netw	How does Entrajuda influence its stakeholders? And the network in general?	Q5STK	2.1 2.3 4.2	Perceived Influence/Impact Dependence Balance Environmental Interconnectedness
Q10FO	Reput_trust	Which is the role of reputation of the actors in this network of relationships? And trust among stakeholders?	Q7STK	1.4	Reputation/Trust
Q11FO	Meta-prob	How does the network of relationships facilitate and/or limit the achievement of metaproblems (e.g. poverty)?	Q8STK	4.1 4.2	Role of networks in metaproblems Environmental Interconnectedness

B.2 Structural coding (linking codes with interview questions) - Questions to stakeholders

CODE	NICKNAME	DESCRIPTION	Expected relation to structural codes...	Expected relation to theoretical codes...	
Q1ST K	Evol_rel	What is the relationship of ... [organization] with Entrajuda? How has the evolution of the relationship been?	Q6FO	1.1 1.2 1.3	Critical contingencies Dimensions of relationship Relational content
Q2ST K	Benef_inc_rel	What are the benefits that ... [organization] retrieves from the relationship established with Entrajuda? And the inconveniences?	Q8FO	1.3 1.1	Relational content Critical contingencies
Q3ST K	Stk_infl	How can ... [organization] influence the decisions? Do you consider that there are direct and/or indirect influences?	Q3FO	2.1 2.3	Perceived Influence/Impact Dependence Balance
Q4ST K	Need_exig	How does Entrajuda respond to the needs and exigencies of ... [organization]?	Q4fO	2.1 2.3	Perceived Influence/Impact Dependence Balance
Q5ST K	Infl_stk_netw	How is ... [organization] influenced by Entrajuda? And by the network of in general?	Q9FO	2.1 2.3 4.2	Perceived Influence/Impact Dependence Balance Environmental Interconnectedness
Q6ST K	Netw_infl	How does the network of ... [organization] facilitate and/or limit the strategic decisions of Entrajuda, even if indirectly? Which are the stakeholders of ... [organization] that can have higher direct or indirect influence on Entrajuda?	Q7FO	2.1 2.2 2.3 3.2	Perceived Influence/Impact Attributed Influence Dependence Balance Strategic Management Process in TSO
Q7ST K	Reput_trust	Which is the role of reputation of the actors in this network of relationships? And trust among stakeholders?	Q10FO	1.4	Reputation/Trust
Q8ST K	Meta-prob	How does the network of relationships facilitate and/or limit the achievement of metaproblems (e.g. poverty)?	Q11FO	4.1 4.2	Role of networks in metaproblems Environmental Interconnectedness

B.3 Initial theoretical coding

CODE	NICK NAME	DESCRIPTION	REFERENCE
1. Relationships			
1.1 Critical contingencies	Crit_cont	They explain the reasons why organizations choose to enter into relationships with one another. An organization establishes linkages or exchanges with other organizations in order to:	(Oliver 1990)
Necessity	Necess	... meet necessary legal or regulatory requirements	(Oliver 1990)
Asymmetry	Asym	... potentially exercise power or control over them or their resources.	(Oliver 1990)
Reciprocity	Recipr	... cooperate, collaborate, and coordinate, not for power and control.	(Oliver 1990)
Efficiency	Effic	... improve its internal input/output ratio.	(Oliver 1990)
Stability	Stab	... reduce environmental uncertainty, with reliable pattern of resource flow and exchanges, for instance.	(Oliver 1990)
Legitimacy	Legit	... enhance legitimacy.	(Oliver 1990)
1.2 Dimensions of relationship	Dim_rel	Dimensions to define and operationalize a pattern of relationships among organizations	(Van de Ven 1976, van de Ven et al. 1979)
Resource dependence	Res_dep	The degree to which organizations need external resources to achieve their self-interest objectives	(Van de Ven 1976, van de Ven et al. 1979)
Awareness	Awar	The degree to which organizational boundary spanners are familiar with the services and goals of other organizations, and the degree of personal acquaintance among boundary spanners	(Van de Ven 1976, van de Ven et al. 1979)
Consensus	Cons	The degree of agreement among agency boundary spanners on the service and goals of each other's organizations, and the lack of conflict between organizations	(Van de Ven 1976, van de Ven et al. 1979)
Communication	Com	The frequency of communications among organizations, in terms of written reports and letters, telephone calls, face-to-face contacts and committee meetings	(Van de Ven 1976, van de Ven et al. 1979)
Formalization	Form	The degree to which rules, policies, and procedures govern the agreement (or compact) and contacts between organizations	(Van de Ven 1976, van de Ven et al. 1979)
Effectiveness	Effect	The perceived extent to which agencies carry out their commitments and believe their relationships are equitable, productive, worthwhile, and satisfying	(Van de Ven 1976, van de Ven et al. 1979)
Impact	Impact	The extent to which organizations involved in a relationship are perceived to change or affect internal operations of one another	(Van de Ven 1976, van de Ven et al. 1979)
1.3 Relational content	Rel_cont	The meanings which the persons in the network attribute to their relationships	(Knoke and Yang 2008)

Transaction relations	Tran_rel	Actors exchange control over physical or symbolic media, for example, in gift giving or economic sales and purchases	(Knoke and Yang 2008)
Communication relations	Comm_rel	Linkages between actors are channels through which messages may be transmitted	(Knoke and Yang 2008)
Boundary penetration relations	Bou_P_rel	Ties consist of membership in two or more social formations, for example, corporation boards of directors with overlapping members	(Knoke and Yang 2008)
Instrumental relations	Inst_rel	Actors contact one another in efforts to secure valuable goods, services, or information, such as a job, abortion, political advice, or recruitment to a social movement	(Knoke and Yang 2008)
Sentimental relations	Sent_rel	Actors express their feelings of affection, admiration, deference, loathing, or hostility toward one another	(Knoke and Yang 2008)
Authority/power relations	Aut_rel	Usually occurring in formal hierarchical organizations, indicate the rights and obligations of actors to issue and obey commands	(Knoke and Yang 2008)
Kinship and descent relations	Kins_rel	Bonds of blood and marriage reflect relations among family roles	(Knoke and Yang 2008)
Exchange of ideas/information relation	Exch_rela	Actors exchange ideas and information	
1.4 Reputation/Trust	Rep_Trust	The extent to which focal organization and stakeholders consider reputation and trust as being important components of the relationships	
Reputation	Rep	The extent to which focal organization and stakeholders consider reputation, i.e. the judgments made by observers, as being an important component of the relationships	(based on Barnett et al. 2006)
Personal	Rep_pers	The reputation of an individual from the partner organization.	
Organizational	Rep_org	The reputation of the partner organization.	
Trust	Trust	The extent to which focal organization and stakeholders consider trust as being an important component of the relationships	(based on Zaheer et al. 1998)
Interpersonal	Trust_Ipers	The extent of trust placed by the individual boundary-spanner in her individual opposite member from the partner organization.	(Zaheer et al. 1998)
Interorganizational	Trust_Iorg	The extent of trust placed by the members of a focal organization in the partner organization (as a whole)	(Zaheer et al. 1998)
2. Influence			
2.1 Perceived Influence	Perc_infl	Influence/impact perceived by the actors interviewed – capacity to have an effect on what you are doing	
Stak. - Focal Organization	P_STK_FO	Impact of the stakeholder on focal organization through dyadic interactions	(adapted from Provan et al. 2007)

Focal Organization – Stak.	P_FO_STK	Impact of the organization on the stakeholder through dyadic interactions	(adapted from Provan et al. 2007)
Organization - Network	P_O_Net	Impact of individual organizations on a network	(adapted from Provan et al. 2007)
Network - Organization	P_Net_O	Impact of a network on individual organizations	(adapted from Provan et al. 2007)
Network - Network	P_Net_Net	Whole networks or network-level interactions	(adapted from Provan et al. 2007)
2.2 Attributed Influence	Attr_infl	Stakeholders in the network identified by the focal organization as being influential for strategic decisions	(adapted from Boje and Whetten 1981)
2.3 Dependence Balance	Dep_bal	Alterations that move the relations toward a state of balance, considering that dependence is a joint function of two variables, "motivational investment" and "availability".	(Emerson 1962)
2.4 Reported Influence	Report_infl	Influence/impact reported in documents	
Stak. - Focal Organization	R_STK_FO	Impact of the stakeholder on focal organization through dyadic interactions	(adapted from Provan et al. 2007)
Focal Organization - Stak.	R_FO_STK	Impact of the organization on the stakeholder through dyadic interactions	(adapted from Provan et al. 2007)
Organization – Network	R_O_Net	Impact of individual organizations on a network	(adapted from Provan et al. 2007)
Network - Organization	R_Net_O	Impact of a network on individual organizations	(adapted from Provan et al. 2007)
Network - Network	R_Net_Net	Whole networks or network-level interactions	(adapted from Provan et al. 2007)
3. Strategy and Stakeholders			
3.1 Involvement in decision making	Invol_decis	Who is involved in the decision making process of the organization	(e.g. Wooldridge and Floyd 1990)
Board of directors	Board_Dir		
Head of departments	Head_dep		
Staff	Staff		
Counselling body	Couns_body		
Funders	Funders		
Volunteers	Volunt		
Other	Other		
3.2 Strategic Management Process in TSO	Str_mgt	Steps of the traditional strategic management process	(Stone et al. 1999)
Formulation	Formul	How decisions are formulated	(Stone et al. 1999)

Content	Content	What decisions are formulated	(Stone et al. 1999)
Implementation	Implem	What is implemented	(Stone et al. 1999)
3.3 Stakeholder group	Stk_group	Group of individuals, organizations, or institutions that have a stake in the organization	(Freeman 1984)
Funder	Funder		
Supported Institution	Supp_inst		
Volunteer	Volunt		
Government	Govern		
Public authorities	Publ_auth		
Directors	Direct		
Staff	Staff		
Similar organization	Sim_org		
Other	Other		
4. Systems approach			
4.1 Role of networks in metaproblems	Netw_Meta	The extent to which the required response is inter- and multi-organizational, since no single organization is able to meet such challenges	(Clarke and Roome 1995, Roome 2001, Trist 1983)
4.2 Environmental Interconnectedness	Env_interc	The extent to which environmental factors are interrelated and density of inter-organizational relations among occupants of an organizational field	(based on Oliver 1991, Pfeffer and Salancik 2003, Emery and Trist 1965a)

4. RESPONDING TO COMPLEXITY THROUGH AN INTERORGANIZATIONAL NETWORK: THE *REDE SOCIAL* CASE STUDY^{17,18,19}

“The performance of a system depends more on how its parts interact than on how they act independently on each other”.

(Ackoff, 1999, p. 19; emphasis in original)

Third sector organizations (TSOs) address complex social problems such as health, poverty, housing, education, and poor access to resources, which typically intersect one another. These problems also span the responsibilities, policies, skills, and perspectives of many organizations serving communities in need. This type of interconnectedness increases problem complexity; and one response to such complexity is to engage in a process of interorganizational strategy development. In such a process, the strategies of individual TSOs are harmonized with the strategy of the set of TSOs, that different points of view on the problems at hand can be shared and the way they are addressed coordinated. The structural mechanism used to achieve this process explored in this chapter is an interorganizational network. We examine the mechanisms through which organizations in the network – mainly local government, public entities, and TSOs – interact in the network through the theoretical lens of a systems approach to strategy. This is a research stream that has had limited attention in the strategy literature of TSOs. This chapter aims to help fill this gap through an empirical, multi-level, longitudinal, case analysis of a cross-sector network operating in Portugal. It sets out to examine the nature of the interactions between organizations in this goal directed network; to understand the means the network uses to provide strategic coordination for itself and its constituent TSOs; and what this means for the resolution of social problems. We conclude that the interactions between TSOs, and between those TSOs and the network,

¹⁷ This version has benefited from constructive feedback from Niels Noorderhaven and the committee members. All errors remain ours.

¹⁸ An earlier version of this chapter has been presented at the 40th Annual Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA) Conference, 17-19 November 2011, Toronto, Ontario, Canada. We thank the participants for their feedback on the chapter. All errors remain ours.

¹⁹ We would like to express our gratitude to the organizations and their representatives that made possible the study presented here. Nevertheless, the views and arguments expressed herein are the authors' responsibility and do not necessarily reflect the view of the organizations or representatives that participated in the study.

influence and shape the strategy making by both individual TSOs and the network as a whole.

Key words: *Complexity; networks; Rede Social program; third sector; strategy; systems*

4.1. INTRODUCTION

The recent crisis may have worsened the scenario, but the reality is that Portuguese society has long faced challenges related to problems such as unemployment, skills shortage, a population that is ageing and has high levels of dependence on social welfare, homelessness, and domestic violence, among others. As a result, there has been a great need for action to minimise situations of dependency, and social exclusion (Castro et al., 2009).

Third sector organizations (TSOs) – generally comprising nonprofit organizations – address a group of often interconnected social problems such as those mentioned above. These organizations face a high degree of complexity, which arises not only from the interdependencies among the issues they seek to address, but also from the interconnections between their own policies and activities, and between them and the field in which they operate. This high level of interconnection is characteristic of a class of problems termed 'metaproblems' (Chevalier, 1966 apud Trist, 1983)²⁰ or 'systems of problems' (Ackoff, 1974; Trist, 1983). This "problem complexity", inherent to many social issues, and the degree of response to them, have been steadily increasing in the past decades; and with them, the extent of knowledge required to understand the environments where they co-exist.

Given increasingly complex (Mintzberg, 1979), dynamic and turbulent environments (Emery & Trist, 1965), organizational responses need to be devised. Since these problems are intractable and impossible for any one organization alone to fully address, they have led organizations to collaborate with other actors through formal and informal networks (e.g. Ackoff, 1974; Paarlberg & Bielefeld, 2009; Roome, 2001; Trist, 1983). Underlying these networks are multiple mechanisms such as cooperation, competition, and diffusion, for instance, which are the processes in a system (in this case the network) that make it what it is (Bunge, 2004).

The Portuguese *Rede Social Program* is treated here as a response to problem complexity. This interorganizational network brings together the State, local authorities and TSOs, to coordinate social development efforts, while seeking a holistic approach to social intervention. This is a rather unique partnership (Castro et al., 2009; IESE, 2012a,

²⁰ Chevalier, M. (1966). *A Wider Range of Perspectives in the Bureaucratic Structure*. Working Papers. Commission on Bilingualism and Bi-culturalism. Ottawa.

2012b). Within the whole program, there are more than 200 *Rede Social* networks in Portugal, each organized at the municipal level.

Here, we used a purposeful case selection, and focused on a particular case of a local *Rede Social*, chosen because of the extensiveness of its network-level response, and the demands placed on it by its constituent organizations. *Rede Social* is an example of a system that has led to a system level response, and the specific *Rede Social* under investigation is considered an exemplary illustration of such a system.

The overall research question addressed in this chapter is centred on ***“How do we conceptualize and understand the formulation of strategy by TSOs, when they respond to problem complexity through interorganizational networks?”*** To answer this question, we explore not only the mechanisms through which the partners in the interorganizational network make it work, reflected in their interactions at both a multi-level and a cross-level of analysis; but also the implications of such interactions for the strategic management of TSOs in the network and the network as a whole.

The research question thus calls for an approach to strategy making that considers two levels of analysis: one pertaining to the strategy of the individual organizations in the network, and another to the strategy set by these organizations for the interorganizational network as a whole. This in turn raises questions about the way organization and network level strategies interact. As noted by Chisholm (1998), interorganizational networks exist at a higher level than mere interorganizational relationships.

From the various streams of the literature on strategic management in TSOs, the approaches that more directly deal with the overall research question at stake are the network approach and the systems approach. Although the network approach appears to offer insights into how TSOs deal with social complexity (van Bueren et al., 2003; Weber & Khademian, 2008), it has been criticized for taking a mostly structuralist perspective (Kilduff & Tsai, 2003; Salancik, 1995), where conclusions about the actors or the network simply follow from analyses of the network's structure. As such, network theory continues to emphasize organizations in the network rather than the system as a whole.

In discussing the *Rede Social*, however, we are more concerned about the system taken at a broader level. The focus is on the network *per se*, within which its multiple levels

are organized, rather than on the structural position of the members in the network, or the network per se. Thus, the theoretical lens used in this chapter is that of systems approach.

A systems approach, from which complexity science derives (Anderson, 1999), considers strategy in relation to a “set of two or more interrelated elements of any kind” (Ackoff, 1974, p. 13). It is thus based on the understanding that the set of the elements that form the system, their properties and their interactions, provide the setting within which organizations formulate and implement their strategies (Ackoff, 1974).

In order to operationalize the general research question, we rely on the existing literature, which distinguishes interorganizational networks as examined at two different levels - the individual organization (actor) level and the network level (Provan, Fish, & Sydow, 2007). Using these, Provan et al. (2007) derived four types of research that can be distinguished by their focus: (1) the impact of organizations on other organizations in the network through dyadic interactions; (2a) the impact of the organization on the network; and (2b) the impact of the network on the organization; and (3) the whole network or network-level interactions.

With this background in mind, this chapter aims to address a number of sub-questions, such as: *“What cross-level and multi-level interactions take place between organizations and the network within which they are embedded?”*. The answer to this question will unveil the mechanisms through which the interorganizational network achieves its outcomes. Following Bunge (1997, 2000, 2004), we take a systemistic²¹ approach to such mechanism-based explanations. As noted by Hedström and Ylikoski (2010, p. 57), Bunge sees mechanisms as processes that “characterize the relations and interactions between the system’s parts, its structure, and its environment.” In this study, the system is the network that exists at different levels.

As noted above, when TSOs with distinct missions are working on different problems, or are part of a problem set in a given geographical area, the need arises for a less individualistic and more systemic approach to strategy. For example, because the problems of housing, training, education, vulnerable groups and health are connected in a given area, so too are the organizational actors (public, private and nonprofit actors)

²¹ Bunge (2000) refers to a systemic approach to social policy-design and introduces the notion of systemism, a compromise between two extreme positions, that of individualism and that of holism. For Bunge (2000) the systemists unveil the mechanisms that mediate two macro variables, by linking the system (macro) and individual (micro) levels.

operating on each of these issues, whether they are aware of that connection or not. In such instances, purposeful interorganizational networks can be organized to address these interconnections.

A second sub-question aims at understanding the potential interactions between the strategies and actions of the TSOs operating in a network. While this type of interaction is predicted by authors such as Emery and Trist (1965), Oliver (1991) and Pfeffer and Salancik (2003) the question remains: “*How do the strategies and actions at the system level interact with the strategies and actions of the TSOs in that system?*”

A final question pertains to our understanding of social reality as part of a larger whole: “*How do the interactions between TSOs, and between TSOs and the network, impact strategy making for the TSOs and for the network as a whole?*”

This chapter is organized as follows. First, a description of the *Rede Social Program* is presented to provide a detailed contextualization of this interorganizational network, and why this is regarded as a response to problem complexity. Then, the theoretical framework and methodology adopted are explained. After presentation of the findings and discussion, the chapter ends with the conclusions.

4.2. The *Rede Social* Program

4.2.1. Origins and the intervention model behind the program

Rede Social is a Portuguese cross-sector interorganizational network that operates for the promotion of social development. It seeks a holistic approach the social intervention, namely in the areas of social exclusion and poverty. This program has particular features that make it rather unique (Castro et al., 2009; IESE, 2012a, 2012b). It was created in 1997 as a result of a Governmental Resolution, and has since progressively been institutionalized²² in the Portuguese context (IESE, 2012b). In line with the Governmental Resolution²³, the *Rede Social* is defined as “joint forum and pooling of

²² RCM n° 197/97 (Resolution of the Council of Ministers 197/97), followed by DN 8/2002 (Legislative Order 8/2002) and DL n° 115/2006 (Law decree 115/2006).

²³ RCM n° 197/97 (Resolution of the Council of Ministers 197/97)

efforts, based on the free adhesion of municipalities and public or private nonprofit entities willing to take part”.

There are several indications that *Rede Social* was set as a response to problem complexity. As noted by Castro et al. (2009), the idea behind the *Rede Social* was for it to work towards overcoming certain constraints to social intervention which had been detected in the country. Although at the time it was set up, several initiatives aiming to tackle situations of poverty, unemployment, and social group exclusion already existed, these had been developed within very specific, and highly-targeted, projects. These were neither mutually complementary, nor part of a more comprehensive plan. Furthermore, most of the remaining social intervention actions were developed independently by the different sectors: education, health, employment, and housing, for instance.

Social action at this time was described as occurring in a relatively *ad hoc* way, whereby families and individuals received support from the organizations providing social services (Castro et al., 2009). The *Rede Social* aimed at joint intervention among the actors in the field, and so at a more efficient use of resources and social intervention by the various actors (Castro et al., 2009; IESE, 2012a, 2012b). Indeed, a reflection on the evolution of this interorganizational network in its first decade of existence, proposed that its “greatest contribution has been the adoption and implementation of an intervention system that sees social problems as multidimensional and situated in specific places; i.e., it sees people in their environment and always sees the development of a given place in terms of the promotion of the wellbeing of *all* citizens and communities” (Castro et al., 2009, p. 12, emphasis added). Even if the term problem complexity is not used, its essence is there. A note in one of the official documents aimed at explaining the strategic management process of *Rede Social* is quite illustrative (Rede Social, 2002, p. 15):

“Unemployment problems cannot be solved by job creation alone, because they are often associated with low levels of skills and training, personal and social skills that do not allow for an adaptation to new interactions in the work environment, lack of information about available opportunities, alcohol problems, depression, and so on...”

After the Governmental Resolution published in 1997, a working group prepared the document that would set the basis for the implementation of this network. This

‘Programme for the Implementation of Pilot Projects within the Scope of the *Rede Social*’ highlighted the need for social development to be articulated with local development (Castro et al., 2009). This document was published in 1998, within the scope of the Cooperation Pact for Solidarity, which included both the Directorate-General for Social Action and the Institute for Social Development.

The innovative strategic guidelines that came out of this implementation program are still an identifying feature of this network (Castro et al., 2009). These referred to: 1) the creation of a strategic partnership, whose actions should be transversal in terms of its areas of intervention, and centred on the existing problems in the geographical area; and 2) the planning of social intervention in such wise that it is not only integrated and systematic, but also compulsorily participatory, so that priorities for joint action can be identified.

Subsequent to the publication of the implementation programme, there was a 14 month experimental phase between January 2000 and March 2001, with forty-one pilot municipalities. This allowed for the identification of both positive outcomes and challenges as well (Castro et al., 2009; Rede Social, 2001b). For instance, it became evident that there was room for a new type of partnership that brought together public and private entities, based on “equity between the member entities and, as a form of participatory democracy, on agreement regarding the aims and organisation of the actions implemented” (Castro et al., 2009, p. 20). Furthermore, local authorities appeared willing to promote the local projects, which had been a concern for the TSOs, due to quite rigid institutional culture prevalent at the time.

There were also challenges, however. For example, in larger cities it was found that due to the high number of participants in the network, the strategic planning process became more difficult and lengthy, as most partners lacked experience in the planning mechanisms used. In smaller municipalities, resource availability was often an issue (Rede Social, 2001b).

Fifteen years after the initial conception of *Rede Social*, there were nearly 280 municipal networks distributed throughout Portugal (IESE, 2012b), comprised of almost ten thousand partners, of different origins and legal status (Castro et al., 2009). Within these networks, the municipalities had a particularly determinant role in the network’s governance, which was something relatively uncommon until quite recently (Agranoff, 2014). This involved the accountability of the local government and its elected

representatives, and brought great changes to the way social intervention was developed by local authorities. In particular, to an intervention that became far more articulated with other public entities and TSOs (Castro et al., 2009).

4.2.2. Strategic management at Rede Social

The methodology of the *Rede Social* is based on a strategic planning method, intended to reduce constraints to local interventions, such as the persistence of highly sector specific social policy, for example. The intention was that the strategic planning should act as a “place-based incentivising mechanism, stimulating the design and undertaking of actions defined in partnership and improving the productivity of the local resources and responses” (Castro et al., 2009, p. 40).

The methodology was based on three main strategic tools (Rede Social, 2002): the Social Diagnosis, the Social Development Plan, and the Action Plans. The Social Diagnosis was intended for the characterization of the situation in a given municipality, and the definition of intervention priorities. Although occurring at the municipal level, this diagnosis was based on parish level diagnoses. The Social Development Plan was then a medium-term plan which established the objectives and strategies required (at the municipal level) to respond to the problems identified in the social diagnosis. Finally, on the basis of the first two tools, annual Action Plans were defined at both the municipal and the parish levels. This allowed the programs and projects resulting from the Social Development Plan to be implemented. Underlying all this were two fundamental mechanisms: evaluation and information systems.

The whole process was intended to be highly participative and democratic, based on the widest possible consensus, where the participation of the various partners in the multiple networks is considered crucial (Castro et al., 2009). Several reports have been published throughout the years to help actors in the field in this endeavour, which when it started, was new to most of them (e.g. Rede Social, 2001a, 2001b, 2002).

In this way, strategic planning became a form of “intervention management” (Castro et al., 2009, p. 44) in the *Rede Social*, allowing resources to be replenished and partner competencies to be optimized in the pursuit of local social development.

4.2.3. *Perceived outcomes at Rede Social*

The concept of effectiveness in the context of TSOs may be problematic, given the nature of their activities and expected outcomes. One way to consider effectiveness in the nonprofit literature is through the perceived value and legitimacy attributed to the organization by its stakeholders (Herman & Renz, 2008). Other ways include, for instance: 1) mission accomplishment, social value, and outcome performance; 2) resource accumulation; 3) operational efficiency and productivity (Brown, 2015).

Among other features, effectiveness in nonprofits can be regarded as a social construction (Herman & Renz, 2008). In this sense, the ambiguity of the work of these organizations means that perceptions of their performance can affect their very survival (Brown, 2015). This is the approach taken in this chapter.

The perceived outcomes of *Rede Social* presented here mostly relate to the way the actors in the field worked together, rather than to effects on the social development of the country. The latter would require the effect attributable to this program to be isolated within an extensive and complex set of analyses of macro level indicators, which is beyond the scope of this study.

Based on the document on the evolution of the *Rede Social* (Castro et al., 2009), two main perceived outcomes can be highlighted. First, that the network was perceived to have had a great impact on the way organizations in Portugal worked together²⁴. New elements were introduced, including Internal Regulations and compulsory planning; and the idea that decision-making and action should be a shared process became more common. Second, the *Rede Social*'s important role in exposing those involved in its implementation to the idea that instead of discrete sectoral issues, problems should be viewed in a comprehensive manner.

With this background, the next section presents the methodology.

²⁴ The same could be referred in terms of the European programme, the EQUAL Initiative that was “intended to eliminate factors which gave rise to inequalities and discrimination in access to the labor market”, <http://www.qca.pt/iniciativas/equal.asp>, consulted on 22-06-2015

4.3. METHODOLOGY

4.3.1. *Research method*

The study of the multiple interactions in the interorganizational network as perceived by its actors calls for the use of qualitative research methods. It particularly lends itself to a case study approach, where the boundary of the case is defined by the boundary of the network. The choice of the case study method was also bound with the concern with uncovering ‘what’ and ‘how’ questions. The researchers had no control over the events that were taking place, and the study was focused on a contemporary phenomenon within a real managerial decision making context which evolved over time (Creswell, 2006; Yin, 2009).

It has been suggested that case studies allow for the retention of “the holistic and meaningful characteristics of real-life events” (Yin, 2009, p. 4), allowing complex social phenomena to be better understood. This is in line with a systems thinking approach (Senge, 2006). Furthermore, the case study method has previously been used in strategic decision processes in the not-for-profit context (e.g. Campbell, 2008), in network analysis (e.g. Ozcan & Eisenhardt, 2009), as well as in the network approach to metaproblems (Clarke & Roome, 1995, 1999).

Although this method appears to be the most adequate considering the nature of the study, there is no claim that it allows for an “objective” description of reality. Rather, this approach does not promote one particular reality or representation as the “true” network, but rather accepts that complexity exists and that there are multiple “realities” within it (Kilduff & Tsai, 2003, p. 117).

The next section describes the basis for the selection of the particular network studied, and the research protocol used to gain insight from respondents.

4.3.2. *Case selection*

Given the complexity of each local *Rede Social* network and the intended in-depth analysis, it was decided to study one specific municipal *Rede Social* network. The selection process began by comparing the information available about the various local networks; and the final choice was based on two sequential geographical levels: the district and the municipality level (Appendix 4.A). The rationale was to select the

largest district in terms of social needs and support services. In addition, we looked for what was understood to be the most dynamic *Rede Social* network, as this was considered *a priori* to be most likely to illustrate the environmental interconnectedness of policies, strategies, and actions within the network. The final choice was thus the *Rede Social Amadora*, a local network operating within a specific municipality in the district of Lisbon.

Although the qualitative nature of the study does not call for representativeness or empirical generalization, the selection of an extreme example was expected to provide richer and more interesting empirical findings.

4.3.3. Research protocol

The research protocol used to gather data drew on multiple sources and their analysis. This included primary data from interviews and observations, as well as secondary data, from document analysis. These are listed and categorized in Figure 4.1 below. The diversity of sources enhanced the possibility of triangulation of the findings with regard to facts about the network and its actors or partners. At the same time, we also tried to understand the mental models of the network held by the respondents, and this was done mainly through the interview data. These mental models were considered important, because individual thoughts are an important base for changes in strategic planning (Andersen et al., 2006). Indeed, in any given complex system, stakeholder actions are driven by mental models, such that understanding these models can help understand complexity.

At the time of data collection - January to June 2011 - there were formally around seventy partners in the network at the municipal level, i.e. at the 'Local Social Work Council'²⁵, hereafter 'Local Council'. This council combines the various public and private entities and organizations belonging to the network in a certain municipality. At the parish level, there were eleven 'Parish Welfare Boards'²⁶, hereafter 'Parish Board'. These were partners at the parish level, but did not necessarily belong to the municipal level network. Whether or not they did so depended on the rules set out for the network.

²⁵ Corresponds to the Portuguese '*Conselho Local de Ação Social*', well known by the acronym CLAS. This is composed of the group of the organizations belonging to the network at the municipal level. In the plenary sessions, the organizations come together and take decisions on various issues related to the network.

²⁶ Corresponds to the Portuguese '*Comissão Social de Freguesia*', well known by the acronym CSF. This is composed of the group of the organizations belonging to the network at the parish level.

Figure 4.1– Data sources and analysis

Primary data

This data was coded and provided the major input about the perceptions of the actors in the network on the dimensions studied.

- **Interviews**

- 33 actors in the network, including 41 interviewees (more than 24 hours recorded and transcribed)
- 24 TSOs, 5 delegates of the ‘Parish Board’ , 6 members of the executive board of ‘Local Council’ (including 2 duplicates)

- **Observations**

- One meeting of the executive board of ‘Local Council’ (about two and half hours; observation sheet)
- Two plenary sessions of the ‘Local Council’ (about three hours each; observation sheets)

Secondary data produced by the actors in the network

This data was coded and provided triangulation on network and partners' related facts, besides practical information on the dynamics of the network in terms of strategic planning and activities.

- **Documents**

- Planning tools
 - Social Diagnoses (2004 and 2008 at the municipality and parish levels, 14 documents)
 - Social Development Plans (2005-2007; 2008-2011; 2 documents)
 - Annual Plans (2009; 2010; 2011 at municipality and parish levels; 8 documents)
- Minutes of the meetings of the executive board of ‘Local Council’ (2008-mid 2011; 55 documents)
- Minutes of the plenary sessions (2004-mid-2011; 40 documents)
- Other documents including bylaws, execution reports etc. (13 documents)

Secondary data produced by external entities

This data was analysed but not coded, with the exception of the evaluation of the specific network (*). It provided inputs for case selection (statistics) as well as outsiders' inputs about the local network under study, as well as the network in national terms.

- **Statistics** (on the activity of the *Rede Social* at the national level and social facilities and issues)
- **Books and research articles about *Rede Social***
- **Documents**
 - Evaluation of the *Rede Social* Program (2002; 2010-2012)
 - Evaluation of the *Rede Social da Amadora* 2009 (*)
 - Social network Challenges & Experiences of a Structural Programme (2009)

The intention was to interview key individuals from the TSOs that made up the network at the municipal level, and were not just at parish level; as well as members of the management structure at both network levels. This included the executive board of the 'Local Council' and presidents or representatives of the 'Parish Board'. In the *Rede Social* under analysis, this amounted to a total of 41 TSOs, seven members of the 'Local Council' Executive Board and eleven presidents or representatives of the 'Parish Boards'.

There was some duplication within this set of potential respondents (for instance, two of the members of the executive board of the 'Local Council' were also part of a TSO and a 'Parish Board' delegate); which reduced the number of potential interviews to 57.

The first step in the data collection process was to contact the only TSO that belonged to the executive board of the 'Local Council' at that time. Commitment from the executive board of the network was important to legitimate the study. Following the advice of this respondent, contacts were first established with the members of the executive board of the 'Local Council', and then with the remaining partners. From these, thirty-three partners at the different levels in the network agreed to be interviewed.

Prior to the interviews, desk research about the organizations and the interviewees was developed in order to get a sense of the specific person and organization. A guide with open-ended questions for the interviews was developed for the different levels: Executive Board of the 'Local Council', 'Parish Board', and the TSOs (Appendix 4.B). The interviews were conducted in Portuguese, and audiotaped with respondent consent. All the interviewees were provided with information about the study and signed a consent form (Appendix 4.C). Where possible, their accounts and understandings were compared with written documents and minutes of meetings.

More than a hundred documents arising from the network were collected and analysed. These included ninety-four sets of minutes from Executive Board meetings and plenary sessions of the 'Local Council', as well as twenty-nine planning tools. These planning tools took a variety of forms: Social Diagnoses, Social Development Plans, as well as Annual Plans set at the municipal and parish levels. Bylaws of this specific local network and legislation that enabled the *Rede Social* to be established were also analysed, together with a few other documents that were provided throughout the process.

Finally, the interviews and document analysis were supported by three observation moments. These included an Executive Board meeting at the ‘Local Council’ level, and two plenary sessions of the ‘Local Council’. Observation notes followed the AEIOU framework developed in the late 90s at E-Lab (Wasson, 2000, p. 382), which covers: a) Activities: “goal directed sets of actions – things which people want to accomplish”; b) Environments: “the entire arena where the activities take place”; c) Interactions: “between a person and someone or something else”. These are the building blocks of activities”; d) Objects: “building blocks of the environment, key elements sometimes put to complex or unintended uses, changing their function, meaning and context”; and e) Users: “the consumers, the people providing the behaviours, preferences and needs”. This framework was adapted to the type of observation at stake, which were formal meetings within the *Rede Social* structure.

4.3.4. Data analysis

The transcripts were coded together with the documents produced by the partners in the network. The analysis began with a familiarization with the material that would be subject to analysis (Miles & Huberman, 1994), followed by coding and categorization of the data using the MAXQDA software. This proved particularly helpful, allowing the organization and systematization of extensive primary and secondary data, while providing flexibility to the data analysis.

The codification process was partially based on the literature, with some codes established *a priori* (Appendix 4.D); but throughout the coding process, new themes emerged and new codes were created (Appendix 4.E). In order to explore the interactions within the network, the analysis followed an inductive approach, and the codes pertaining to those interactions were entirely generated from the interviews (Appendix 4.F). For reporting purposes and to comply with the anonymity agreement, interviewees were named with capital letters (e.g. A, B, AJ); and the only distinction made is to highlight the TSOs from other partners entities (e.g. Partner TSO L). This procedure decreases the tendency for socially desirable findings (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Self-reporting was particularly appropriate because we were specifically looking for the perceptions of decision makers and key members of the network (Conway & Lance, 2010).

In order to ensure the quality of the research design, several criteria were taken into account, including its reliability and validity (Silverman, 2005; Yin, 2009). Reliability relates to the possibility of repeating the operations of the study to yield the same results (Yin, 2009). As such, a case study protocol and databases were developed in order to document the procedures and increase reliability. Given the complex reality that is the focus of this research, however, it is questionable whether the same results would be obtained from another study, even if the same procedures were followed²⁷. With regard to validity, this can be checked by taking different perspectives, to provide for construct, external and internal validity (Yin, 2009).

To ensure construct validity, the concepts used in this study were defined according to the literature. Often, there was a variety of concepts and interpretations in literature, which led to an early decision on the definitions and concepts adopted throughout the research. The use of multiple sources also helped ensure the construct validity of the case study. In terms of external validity, explorative studies like the present seek analytical, not statistical, generalization. Analytical generalization concerns the extent to which the results can be generalized to some broader theory (Yin, 2009). In order to define the domain to which the findings can be generalized, replications should be developed in the future. Finally, internal validity is concerned with potentially spurious relationships that arise when trying to establish causal relationships. Given the exploratory nature of this case study, however, internal validity was not a concern (Yin, 2009).

Already after the data collection and analysis had been conducted and processed, in 2012 an official report was published on the *Rede Social* Program (IESE, 2012b) at the national level. Although this was not included in the initial research protocol, inputs from this document are considered in the discussion of the findings because: 1) the study refers to data collected around the same time as ours; 2) one of the case studies presented there was precisely the same as ours; and 3) we believe that the national picture brings important insights and context to our study of the local network.

²⁷ For further discussion on the "socially constructed truth", please refer to Astley (1985).

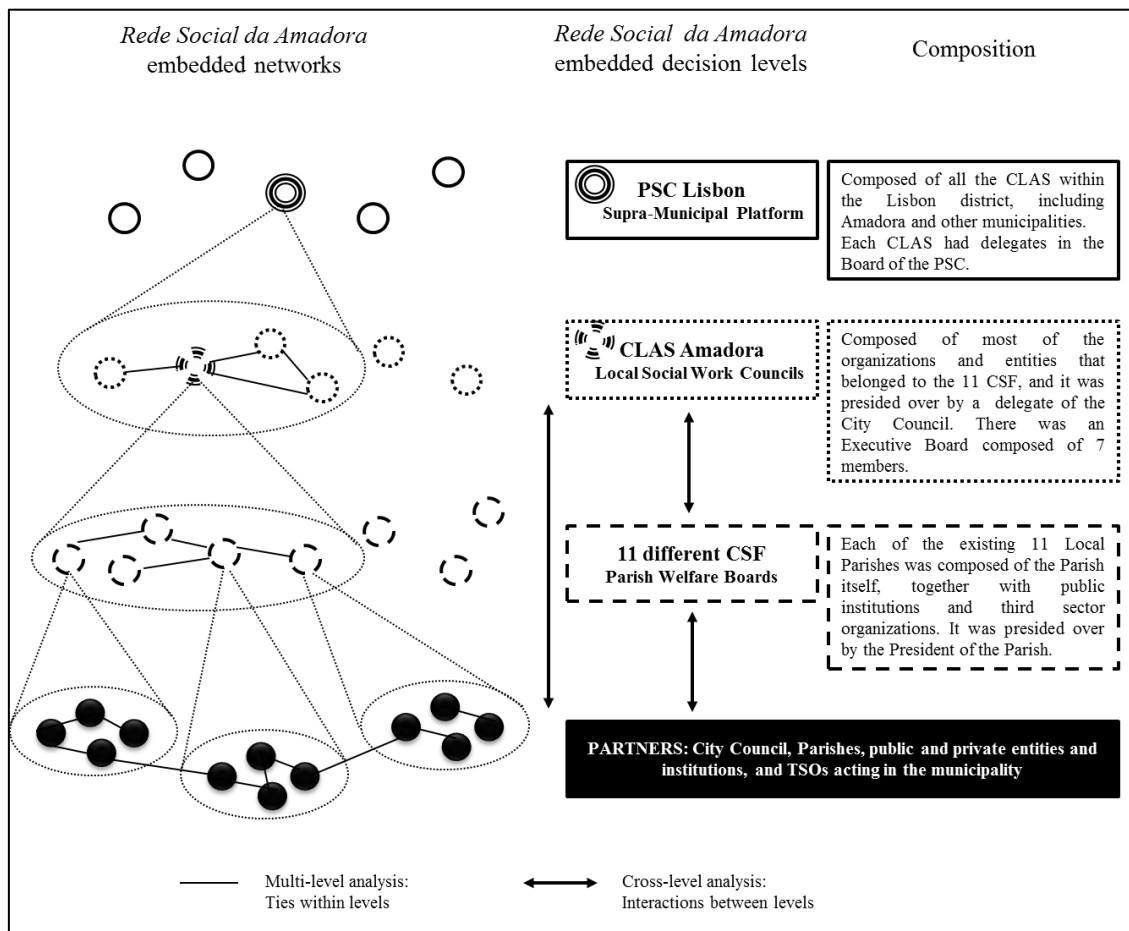
4.4. FINDINGS

The specific network studied in this case study was the *Rede Social da Amadora*. In 2002, there was a first formal evaluation of the national program, which coincided with the year that the municipality of *Amadora* first entered it. In 2003, the *Rede Social Amadora* formally constituted a ‘Local Council’, which included various public and private entities and organizations that supported the network. The governance structure of this network comprised an Executive Board that worked at the municipal level; and at a lower geographical level, the parishes formally constituted the ‘Parish Boards’.

Figure 4.2 provides an image of the network framework, and its cross-level (interactions between levels) and the multi-level (ties within levels) interconnections. These constituted the relationships explored in this study, such that two levels of analysis were dealt with: the network as a whole, and the organizations that made up the network. At the network level, three embedded networks operating at different levels of spatial organization and responsibility were considered: the Supra-municipal Platform – at the district level; the ‘Local Council’ – at the municipal level; and the ‘Parish Board’ – at the level of the parish.

At the first network level, the Supra-municipal Platform of Lisbon was in 2011 composed of nine municipalities, including the *Rede Social da Amadora*. Each ‘Local Council’ had delegates in the Board of the Supra-municipal Platform of Lisbon; and some other entities from both the public and the third sectors that had a national coverage were also represented.

At the second level, there was the ‘Local Council’ of the town of *Amadora*, which was composed of most of the organizations and entities that belonged to the eleven ‘Parish Boards’. This network was presided over by the local council member responsible for social action, and had an Executive Board composed of seven members. Five of these were permanent members – the delegates from the City Council and the local public entities responsible for Employment, Health, Social Security, and Social Reintegration; and two rotated – a delegate from the TSOs, which changed every two years, and a member of the local Parishes, which rotated every year. This Executive Board met fortnightly, and convened the Plenary Sessions of the ‘Local Council’ on a regular basis.

Figure 4.2 – The *Rede Social Amadora* framework

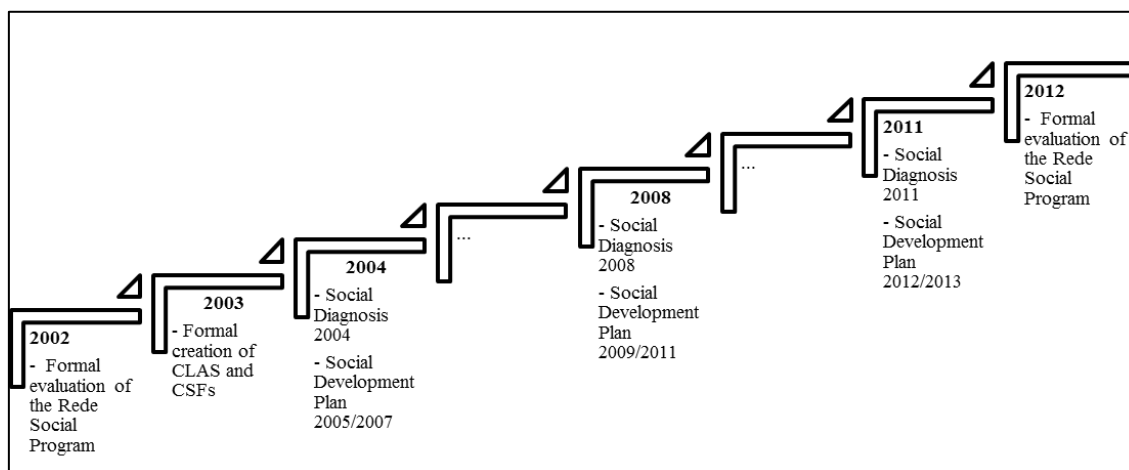
Finally, at the third network level there were the eleven ‘Parish Boards’, which were presided over by the presidents of the Local Parishes. Each ‘Parish Board’ was composed of the Parish, together with public institutions and TSOs that operated locally, although partners acting at the municipal level could also be part of it.

4.4.1. Strategies and actions at *Rede Social Amadora*

In addition to the preparation of strategic plans, there were three other main events in *Rede Social Amadora* during the period up to the time covered by the study (Figure 4.3). In 2004, the first Social Diagnosis was prepared, and set out to describe the main social problems in the municipality as understood by the different network partners. This diagnosis provided the basis for the first Social Development Plan, which was a 3-year plan defining the strategic axes, general objectives, strategies, targets and indicators for the municipality. The same planning cycle was repeated in 2008 and

2011, as depicted in Figure 4.3. The Annual Plans were developed based on the Social Development Plans. The Social Diagnosis and Annual Plans developed at the municipal level were also defined at the parish level. These followed the methodology defined for the whole *Rede Social* Program, as presented above.

Figure 4.3 – Timeline of major events at *Rede Social Amadora* and program formal evaluations



The partners from the *Rede Social Amadora* formally met several times a year in plenary sessions of the ‘Local Council’ overseen by the Executive Board. Based on the minutes from these meetings, we concluded that the main decisions taken at the ‘Local Council’ level, i.e., formally voted on by all the partners in the plenary sessions, were (in no specific order): a) Approval of Planning tools (e.g. Social Diagnosis; Social Development Plan; Annual Plan; Execution Reports; Other Plans or reports); b) Entry and exit of partners from the ‘Local Council’; c) Internal Bylaws of *Rede Social Amadora*; d) Consultation on projects (new projects required a formal statement from *Rede Social Amadora* regarding their appropriateness, in order to be able to enter into agreements with Social Security, or apply for funds, for instance; although these statements were not binding for final decision); e) Technical information on projects; f) Accountability of execution (which referred to the formal commitment of partners to be accountable for the execution of their tasks as presented in the planning tools).

In addition to the formal evaluations of the program as a whole, the Executive Board of the ‘Local Council’ of *Amadora* asked for an external evaluation of the network that was presented to the partners in 2009. This evaluation raised issues that were

subsequently addressed. The interviewees also commented on challenges in the work of the *Rede Social Amadora*, some of which had already been identified in the network documents reviewed. These included coordination problems among partners, and a lack of commitment to the network. Some coordination problems appeared to be transversal to the various levels of the network, and the reasons identified as underlying these were the competition between partners, their mentality, approach to coordinated action, and the prevailing culture.

That said, the prevailing view was that the network had evolved in a positive way in terms of information exchange and partner involvement. It was also suggested that the personal involvement and commitment of those in leadership positions at the different levels was an important factor in overcoming coordination problems.

Other problems that affected the work of the network were identified through the interviews but were not evident from the document analysis. These included: the different levels of administrative development of the parish level networks; the lack of resources available to organizations in the network to respond to the demands placed on them and the network; complaints about the coordination between the network and the public Social Security Institute; as well as matters of a political nature (e.g. divergences between the political parties governing at the parish and municipal levels).

Despite the challenge of managing an extended network of partners, the *Rede Social Amadora* was reported as exemplary both in terms of its general operations and in the way it undertook specific projects, such as providing an integrated network to address issues around domestic violence. The *Rede Social Amadora* was also compared favourably to other organizations and institutions. For instance, one of the TSO interviews noted that: *“comparing [Rede Social Amadora] with other municipalities, in fact, there is a high level of ease, a high level of availability, and a lot of goodwill from the technicians... and the institutions obviously...”* (Interview Partner TSO F). Another stated: *“in my opinion, the ‘Local Council’ here in Amadora... here the Rede Social Amadora has a lot of weight, I believe they work well... comparing with the others I know”* (Interview Partner TSO O); and yet another:

“I think that Amadora is a step ahead in relation to several other municipalities sometimes, in terms of social intervention and Rede Social, maybe because of the pressure itself that exists in Amadora due to the

population... the various problems that the population... that exist in the population of Amadora” (Interview Partner TSO R).

In short, the network provided by *Rede Social Amadora* was recognized for its openness to people and ideas, its willingness to work closely with its partners, and its achievements. Although there were some complaints about the *Rede Social Amadora* and some scepticism about its work, in general the respondents were increasingly motivated to participate in the activities of the network. The information provided by the multiple partners and shared within the network concerning the local context, and the awareness of the other partners in the field was considered particularly relevant. The respondents also commented on the value of the informal connections and networking that emerged out of the formal network provided by the *Rede Social Amadora*, and their importance given the kind of social problems they seek to address.

Next, some accounts of the perceived outcomes of the *Rede Social Amadora* are provided.

4.4.2. Perceived outcomes of the Rede Social Amadora

In 2009, the *Rede Social Amadora* solicited an external evaluation by an independent research centre of a national university institute (Pegado & Saleiro, 2009). This subsection uses data from that report on the outcomes perceived by the partners in the *Rede Social Amadora*, irrespective of their legal form; i.e. they are not just the perceptions of the TSOs. However, these perceived outcomes greatly match the perceptions captured in the interviews with TSOs and other network actors in the network.

These perceived outcomes can be divided into two main components: 1) perceived outcomes for the organizations; and 2) perceived outcomes for social development. It should be noted that these are perceptions, rather than an actual measured effects on local social development.

In terms of the perceived outcomes for the organizations, one of the most important outcomes noted was the *improvement in interorganizational acquaintances*. In addition, the creation of forums where people could regularly meet, both at the parish and municipality level, was perceived as contributing to *greater knowledge and information sharing*. The *increase in the capacity to work in partnerships* was also highly

recognized, although the organizations noted that there was already a tradition of working in partnership prior to the establishment of the *Rede Social*. However, the interorganizational network not only formalized and enlarged the partnerships, but also clarified their working mechanisms.

Other outcomes from working in the network included the *benefits in the qualification* of the technicians and entities involved in the network. This refers not only to formal training, but also to the learning acquired through participation in the various governing bodies, the exchange of experiences, and the joint work. Finally, *changes inside the organizations* were regarded as medium to long-term outcome. For instance, there was some recognition of the effects of the network on increasing organizational efficiency, and the organizations largely agreed that participating in the network streamlined the work they were already developing.

In terms of the perceived outcomes for social development, Pegado and Saleiro (2009) reveal that the great majority of the participants in their assessment considered that the *Rede Social* had had an “absolutely fundamental”, or “very important” role in “the social development of the municipality”. Perceptions of the “impact of the network in the municipality” were also mainly “positive” or “very positive”, with no organization perceiving this impact as negative.

With this general picture of the work of the *Rede Social Amadora* in mind, the following sections address each of the three research questions presented above: 1) what are the cross-level and multi-level interactions between the organizations and the network within which they are embedded?; 2) how do the strategies and actions at the system level interact with the strategies and actions of the TSOs in that system?; and 3) how do the interactions between TSOs, and between TSOs and the network itself, impact their strategy making?

4.4.3. Cross-level and multi-level interactions among the organizations and the network levels

The first research question was designed to understand the interactions that arose between the different levels of the network and among the actors that constituted it. These interactions were analysed within a framework that took account of *cross-level relationships* with respect to 17 different types of activity. All these arose from the data - they are shown in Table 4.1 below.

The table delineates interactions between organizations and the network at the parish level (Organizations-‘Parish Board’); between organizations and the network at the municipal level (Organizations -‘Local Council’); and between the networks at the parish and municipal levels (‘Parish Board’-‘Local Council’). It also considers *multi-level relationships*: among different parish level networks (‘Parish Board’-‘Parish Board’); and among different municipal level networks (‘Local Council’-‘Local Council’).

Four different colours - white, light grey, mid-grey, and dark grey – are used to represent the degree of interaction attributable to the existence of the network across the 17 areas of work identified. This scale was derived from the frequency with which these interactions were spontaneously mentioned in documents and/or in the interviews.

Table 4.1 – Interactions in the cross-level and multi-level analysis

	Cross-level			Multi-level	
	Organizations - Parish Boards	Organizations - Local Council	Parish Boards - Local Council	Parish Boards - Parish Boards	Local Council - Local Council
Interactions					
Evaluating the activities under the network					
Finding solutions and ideas					
Planning tools					
Planning joint activities and services					
Presenting social problems					
Sharing general info					
Sharing info on events					
Sharing info on external projects					
Sharing info on internal projects					
Sharing info on opportunities					
Sharing info on partners					
Sharing info on policies and legislation					
Sharing methodologies and procedures					
Sharing Resources					
Sharing specific experiences					
Submitting and opining on projects					
Training opportunities					

% in any source - documents or interviews

Less than 20%

20%-40%

40%-60%

More than 60%

Among these interactions, three main mechanisms can be identified at the network level that allow the work of the network to unfold and contribute to the outcomes described above. These mechanisms are 1) the *planning mechanism* (e.g. Planning tools, planning joint activities and services, presenting social problems, finding solutions); 2) the

information and communication mechanism (e.g. sharing information on partners, opportunities, and internal and external projects; as well as sharing methodologies and procedures); and 3) the *peer-evaluation mechanism* (submitting and opining on projects).

These were the most important mechanisms detected in the interviews. They are described below, along with explanations of the interactions at various levels. There are likely other, lower order, factors at the organizational - or even individual - level through which these mechanisms operate (explaining, for instance, why an organization might share information or engage in joint planning); however, these are beyond the scope of this chapter, and the focus here is on the network level mechanisms.

4.4.3.1. *Cross-level interactions*

In the case of *interactions between the organizations and the ‘Parish Boards’*, the evidence revealed that the interactions were mostly attributable to the existence of the *Rede Social Amadora*. This parish level network was associated with developing and executing planning tools at the parish level (i.e., developing the local social diagnosis and the annual plans), and with planning joint activities and services included in the annual plan.

The interview findings also highlighted the opportunity provided by the *Rede Social Amadora* for social problems within the scope of the parish to be identified, and solutions to address them developed. Information sharing by partners at the parish level increased, as did knowledge about what other partners were doing increased and the potential for partnerships and referrals between them.

The *interactions between the organizations and the ‘Local Council’* through the *Rede Social Amadora* covered a wider spectrum. Organizations perceived that they gave and received a lot through the work of the network. This involved the development and approval of planning tools, which were seen as an extremely important type of interaction between the partners and the ‘Local Council’ as a whole. Other interactions centred on information sharing with regard to: specific network activities; partners; and internal projects developed within the network. This also covered the dissemination of general information and information on events. As noted by one TSO,

“it does not mean that it did not exist before, it existed because we always had to work in partnership, but in fact now (i.e., since the establishment of Rede Social Amadora)... I believe we are closer, and the simple fact that there is the ‘Local Council’, there is a moment when people meet, a moment when sharing takes place, a moment when projects are made public, it is a great richness. Because, often we worked in partnership but we were each in our own ‘small house’ and ended up not being aware of several projects that add value to our users... and we ended up not knowing about them (...) it is a great added value for our intervention” (Interview, TSO partner G).

Another important interaction involved the formulation and approval of projects. As noted earlier, new projects developed by TSOs were subject to formal statements by the *Rede Social Amadora* with regard to their adequacy. Through this mechanism, partners submitted their projects for evaluation by the Executive Board of the ‘Local Council’. Then, all the partners of *Rede Social Amadora* voted on the project in a plenary session. The organizations also recognized the importance of presenting their view of social problems to the ‘Local Council’, as a way to seek out ideas and new solutions.

There were also a series of *interactions between the ‘Parish Boards’ and the ‘Local Council’*. Two things facilitated these cross-level interactions. First, both the representatives of the ‘Parish Boards’ (i.e. the Presidents or delegates of the Parishes) and most of the ‘Parish Boards’ partners were present at plenary sessions held by the ‘Local Council’. Second, the ‘Local Council’ Executive Board included a permanent representative of the eleven ‘Parish Boards’, and in addition, a delegate from each ‘Parish Board’ participated in the Board meetings on a periodic basis.

The data collected indicates that the interactions between the parish level networks and the municipal level network centred mainly on the development of planning tools (e.g. the contribution of the ‘Parish Boards’ to the elaboration of the Social Diagnosis), the presentation of social problems, and the search for ideas and solutions to those problems. Finally, there was general information sharing and exchanges about approaches and procedures, as found in the elaboration of the planning tools.

4.4.3.2. Multi-level interactions

In the case of the *interactions among ‘Parish Boards’*, i.e. among the eleven Parish Welfare Boards, the approach seemed to be more oriented toward the work developed for the local communities. From the interviews it became clear, however, that there had been very little interaction among the ‘Parish Boards’, besides some institutional formalities; even after the establishment of the *Rede Social Amadora*. There was also a perception that the level of professional development of the eleven ‘Parish Boards’ was at different stages - some Parishes were more involved and committed to the project of the *Rede Social Amadora* as a structured network than others. Still, there was an increasing awareness of the need for collaboration among the parishes, and it was recognized that ultimately they were all working towards similar ends.

The year 2011 was regarded as having been a good moment to increase these interactions, because major planning tools were prepared in that year. In order to bring them about, there were cross-parish meetings to share the approaches and procedures used to address social problems, and these meetings helped unify the way they worked and presented planning tools. Although there were other interactions at this level, the ones that were most referred to involved the planning of joint activities, such as open events to promote the work with the communities, or activities that enabled specific experiences and project success stories to be disseminated.

Finally, there were *interactions among the ‘Local Councils’* that operated in the Lisbon district, one of which was the ‘Local Council’ of the *Rede Social Amadora*. These interactions provided a platform for reflection and information sharing between different *Rede Social* networks. Examples included sharing specific experiences of projects – the *Rede Social Amadora* presented some of its successful projects - as well as working on the planning tools at the district level, and sharing approaches and procedures used in the development of plans at each ‘Local Council’ level. This was done to streamline documents and processes, and create greater comparability and compatibility. This platform also provided a space for a wider reflection on social problems and the search for suitable solutions. These interactions occurred primarily under auspices of a Supra-Municipal Platform. The work of this platform was rather recent relative to the other more institutionalized interactions at the levels concerned with planning and operations.

It was clear from the interviews that there was increasing partner involvement and commitment to the *Rede Social Amadora* at different network levels over time. This appeared to follow the recognition of the value of this partnership approach, as well as the emergence of more informal relationships, which provided the ground for increasing familiarity and trust among the partners. That said, as demands for interaction and coordination increased, there was often a trade-off between the value of being part of the network and the availability of resources (human resources, time, and money) to devote to the *Rede Social Amadora* project.

4.4.4. Interaction between strategies and actions at the system level (Rede Social Amadora) with strategies and actions of the TSOs in that system

The second research question deals with the extent to which the strategies and actions at the system level were found to interact with the strategies and actions of the TSOs that operated in that system. Evidence from the interaction among strategies and actions was found in the strategic planning process established by the *Rede Social Amadora* (Figure 4.4). The main planning tools used by the *Rede Social* were the Social Diagnoses, which required the participation of the partners, including TSOs, at both the parish and municipal levels.

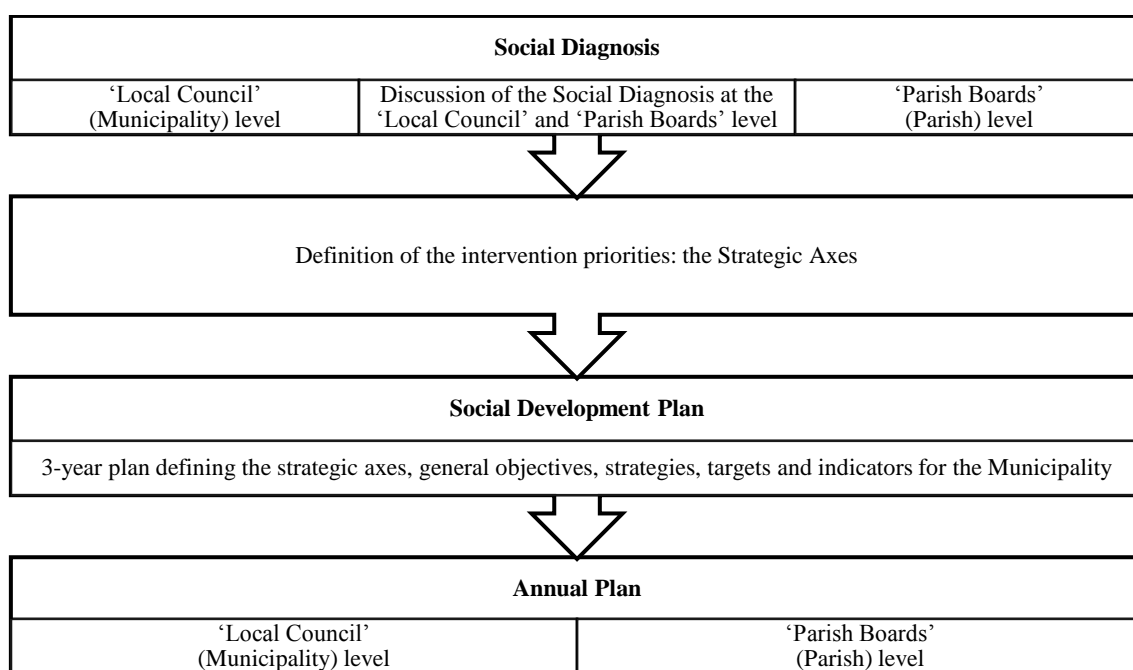
Each ‘Parish Board’ developed its own social diagnosis at the parish level along with its partners. These diagnoses were then combined into a municipal level diagnosis. Based on this, the main strategic axes for social intervention were defined, resulting in the 3-year Social Development Plan for the municipality. The Social Development Plan guided the Annual Plans made at both the municipal and the parish levels. This process and its constituents parts formed the strategic management approach of *Rede Social*, as shown in Figure 4.4.

The strategic management framework provided for the alignment of the planning tools at the network level. This mechanism for the alignment of actions went beyond the boundaries of the *Rede Social Amadora*, and also contributed to the work of the supra council platform at the district level. As one partner with a governance role referred:

“This year, for instance, we at the ‘Local Council’ of Amadora have included activities from the various axes of the social development plan of

the platform; we had specific actions in our ‘Local Council’ activity plan that responded to those areas... so, in fact, everything has to be connected because the only way the platform can be fed with information is through the various ‘Local Councils’, otherwise it cannot do it... so there is this link that has to be very strong between the platforms and the ‘Local Council’” (Interview, partner AA).

Figure 4.4 – Alignment between the planning tools at the *Rede Social Amadora*



Despite the strong governance role played by the executive board at both ‘Local Council’ and ‘Parish Board’ levels, the partners were also called on to participate in the definition of the planning tools that contributed to the overall work of the *Rede Social Amadora*. As noted by the same member of the executive board,

“the organizations participate, because... the planning tools have an elaboration methodology. Therefore, every time there is a social development plan, first there is a diagnosis, an update of the diagnosis. Hence, we did our first ones in 2004, the first social diagnosis and the first social development plan” (Interview, partner AA).

From the viewpoint of the TSO partners, this participation was especially felt by the organizations at the parish level, as they consisted of smaller groups of partners and were (physically) closer to the ‘Parish Board’ than to the ‘Local Council’. Several partners noted that their way of influencing what happened at parish and municipal levels of the network depended on the commitment and level of participation of the other partners. Those more involved ended up having a stronger influence on what was developed by the network and on the shape of collective action.

The municipality’s approach to alignment underlines the importance attributed to a nested strategy that built on the strategies and actions at each level of the network. This approach suggests that the strategies defined at the municipal and parish levels, and developed with the various partners, could influence the strategies adopted by individual TSOs. Indeed the *Rede Social* Program itself was a strategic approach to social intervention, based on work planned and the undertaken in partnership; with the aim of increasing the effectiveness of the actions of public and private entities that act on social issues in the same geographical area (Bylaws of ‘Local Council’, July 2010). This suggests that the way each TSO strategically managed its activities should not be separate from the context of the network. As noted by one partner,

“if we cross the information of the strategic plan of ‘org. D’... in a way it has to be consonant with the plan of the network... it does not make sense to work in dissonant layers, that is to say, there is a cascading alignment relative to the strategic axes of the municipality” (Interview Partner TSO D).

For the largest TSOs, this approach, which began with the collective recognition of the social needs of the territory, certainly ended up influencing their strategic options and plans. As one partner noted with regard to the ‘Local Council’,

“it helps us look for the right answer and the right path... because if we worked the way we did ten years ago, where the organizations would break down... each would open an ATL [a social facility for children] - (...) there was no planning... and the social work would end up being a marasmus... now things are much more planned and that is important... because it helps the institutions and it helps the population itself, since it is for them that we work” (Interview Partner TSO J).

Another partner explained, “*we also try to adapt our annual plan in terms of the institution, according to the guidelines of the needs*”, referring to the role of the social diagnosis in the choices available to the organization (Interview Partner TSO Q).

The effort to create this alignment between the planning tools at the network level and those at the organizational level was heavily influenced by what has been named here the peer-evaluation mechanism, i.e. the requirement of consultation on projects (statement issued by the ‘Local Council’). As mentioned above, although these statements were not binding for final decision, it was important for partners to have positive feedback on their, because that legitimated the projects and provided access to resources.

The evaluation of projects such as new facilities was primarily based on the logic of rationalizing the use of resources. In this way, new projects were not only assessed based on existing facilities in the municipality, but also with regard to the needs expressed in the planning tools. Hence, new growth strategies by TSOs - such as a new kindergarten or a new home for the elderly –, were to some extent dependent on the way the partners in the network recognized the pertinence of the project.

The rationalization of the use of resources was one of the purposes behind the establishment of the *Rede Social* network as a whole. It was explicitly stated in the *Rede Social* documents since the early days of the network. For instance, in the third plenary session after its creation, one of the representatives of the City Council:

“replied to some of the interventions made [by partners], recalling that Rede Social has as a main objective to address the needs of people and not of the organizations, boosting a work in extended partnership, making it possible to take full advantage of the existing resources (human, financial and other) (minutes, ‘Local Council’ meeting, April 2004).

However, partners perceived the extent to which full rationalization of the use of resources was accomplished in *Rede Social* in different ways. Partners at the parish level were the most critical. As one partner mentioned, “*when the Rede Social is fully operational, more than half of the institutions will perish*” (Interview, partner AI). Another one mentioned:

“the same happens with institutions... the institutions still cannot, or can only to a small extent, make full use of the resources that are sometimes

scarce and so hard to get, to make full use among them... and split a resource that could optimize a set of services. Unfortunately we are all much too focused on ourselves... which is a difficulty, I understand... it is a difficulty" (Interview, partner AJ).

The TSOs took a somewhat different perspective, reinforcing the need for, and increasing effort to rationalize resources, both in the day-to-day services provided (e.g. eliminating the duplication of resources when two or more organizations were supporting the same individual), and in strategic terms, in what pertains larger investments. As two of the largest TSOs mentioned: *"it is justifying the budget, the money being spent, because all the projects have State support or European funds, and hence, we are a little bit like citizens, we are accountable for the way the money is spent (...) and I believe that, clearly, in Amadora this is already very much acknowledged by the organizations"* (Interview, partner TSO D). Another TSO noted: *"It does not make sense that the State is spending money simultaneously in two social facilities, for instance, in the same parish or next to it, when one can respond to the other"* (Interview, partner TSO J).

The strategic alignment sought by *Rede Social Amadora* was not perceived in the same way by all the TSOs affected by the approach. During interviews, fewer than half of the partners interviewed specifically referred to the links between them and the *Rede Social Amadora* through planning tools, the importance of rationalizing resources and the value of consultation on projects. These ideas appeared to be more often present in the documents; although they were also identified by the largest TSOs - which were also TSOs that had already submitted new projects or were in the process of doing so.

What is not clear is whether attention to the supporting and coordinating role of the *Rede Social Amadora* arose once a TSO became engaged in a project, or whether some TSOs still held an individualistic view of their work, despite being part of the network.

In addition to longer term projects, the interactions between the partners at different levels of the network impacted the ways and means by which the network and its partners addressed social problems. The establishment of projects at the network level seemed to have a positive effect on the way some TSOs provided their own services. The fact that the *Rede Social Amadora* sought to develop an integrated approach to social interventions centred on individuals, the family and the community, seemed to

influence the way individual TSOs were developing their activities, especially in relation to the provision of social services.

For instance, one of the main projects developed under the guidance of this network was a system of social support, centred on the individual and his/her needs, rather than on the organizations providing the services (e.g. medical assistance, food support, and so on). This project was not without its operational difficulties but it had a significant impact on the way other public and private organizations approached the problems presented by the individuals and families that approached them for social support.

4.4.5. Implications of interactions in the network to strategy making by TSOs, and for the network as a whole

The findings set out above were indicative of the many interactions between the *Rede Social Amadora* as an interorganizational network and its various partners. The data also provided some evidence of interactions between strategies at the system and organizational levels. The third research question was designed to explore the implications of the interactions between the partners, particularly the TSOs, and the network on the strategy making of TSOs and of the network as a whole.

The strategic planning tools taken at the network level were perceived by several partners as important in helping them make sense of the social problems in the municipality. The knowledge generated at the network level – through the processes of social diagnosis and information sharing among partners about the problems in the city – was perceived by some organizations as crucial. Examples of this perception include: *“the decisions are related to the policy guidelines, so sometimes it makes us have a more macro vision... sometimes we are so grounded in the field that we forget the macro”* (Interview, TSO partner L); or

“In the last meeting where the report of the Rede Social was presented, those data are important so that the organizations become aware of the main needs... this seems to me to be a sign of strategic planning... future oriented... planning any intervention based on the data, a more specific evaluation of what is going on, at least in the municipality. (Interview, TSO partner V).

The work of the *Rede Social Amadora* also led to the recognition by some partners, of the interconnectedness of social problems. This began already in the early days of the network. As stated in the minutes of a ‘Local Council’ plenary session in 2004, one of the partners “*explained that there was still need to work on the diagnosis as a global document, making a greater connection between the various problems identified.*” (Minutes, ‘Local Council’ meeting, September 2004). Later, in another meeting, another partner reinforced this idea by mentioning that “*the concept of social exclusion cannot be restricted; there must be a holistic perspective of social reality, including all the other areas that can promote citizenship, namely Culture and Sports.*” (Minutes, ‘Local Council’ meeting, February 2008).

The strategic planning tools undertaken by the *Rede Social Amadora* also highlighted the need for coordination at different levels and scales, geographically and across sectors for instance. There was significant evidence of attention to the wider system of European and national policies, as well as regional and local policies that needed to be taken into account in the strategic planning for the *Rede Social Amadora* area. For example, the Social Development Plan for the period 2009-11 referred the need to take into account several national and local policies, in order to “*cross the data obtained with the existing data, articulate the diverse documents and relate the objectives, promoting their coherence and complementing the information obtained, allowing procedures to be standardized to some extent*” (Social Development Plan 2009-2011).

In terms of the links across sectors, two social development plans recognize that “*The Rede Social also aims at conjugating the policies from diverse sectors: Education, Employment, Health, Housing and Social Protection, in order to allow for integrated planning and take full advantage of existing resources*” (Social Development Plan 2005-2007; 2009-2011). The interviewees revealed that this wider picture of the interactions built at the network level had stimulated a systemic approach to their own activities:

“For us that [data] is fundamental, and we work in a very specific segment, we work in terms of the community, but targeted to children and teenagers with behavioural problems, and because we have a systemic approach, we do not work only directly with the kids; we work with the kids, with the schools, with the families. We work with local partners a lot” (Interview, TSO partner V).

Finally, the guiding principle of the *Rede Social* as a partnership-based approach to the formulation and implementation of strategy at the network and the organizational level was critical. As stated in a social development plan:

“the integrated model of Rede Social in the Amadora Municipality is grounded on a logic of systemic intervention, where the first phase was its consolidation and dynamization, through meetings for the provision of information and clarification about the Measure to potential partners” (Social Development Plan 2005-2007),

and

“a good knowledge of the social reality allows for a continuous, systemic and periodical assessment of the social intervention that is being undertaken, allowing for modifications/ corrections in order to provide effective responses to the problems that are to be addressed” (Social Development Plan 2005-2007),

Through the work of the *Rede Social Amadora*, some partners began to perceive themselves as part of this wider system. This meant they understood that implementing their individual strategies in ways that were aligned with the strategic planning at the network level would play a role in helping implement the strategy of the system as a whole. In the words of one of the TSOs:

“our strategic plan, when it is conceived, and for instance – in the course of the auditing that we have - we are certified – that crosscheck is made: there is the Plan of the Rede Social... how does the strategic plan of ‘D’ meet the needs of the city... they crosscheck mainly the strategic axes. How does ‘D’, by launching a European funded project in the area of elderly people... how does that meet the city’s needs?” (Interview, TSO partner D).

However, not all the partners in the network perceived the need for this type of coordination. As one TSO commented in relation to the stance of some of the partners:

“In my opinion in relation to others, it is that there is no concern... it is a planning action that is there, that someone conceives, a kind of trinket (...) people do not really ‘immerse themselves’ and do not take ownership ” (Interview, TSO partner M).

This is an example of a partner that saw the benefit of the *Rede Social* for itself, but was sceptical of how well it was understood by some of the less involved partners. As one of the minutes stated:

“it is necessary to stimulate some motivation in the institutions, in order to proceed with the work of the network. The consciousness that this measure [Rede Social] in fact brings advantages to the institutions at various levels is still lacking” (Minutes, meeting of the executive board of ‘Local Council’, February 2008).

Among the factors that might have contributed to this scepticism is the extent to which partners had experience on the executive board of the ‘Local Council’. Membership of the executive board seemed to help educate some partners, and provide them with a ‘bigger picture’ perception and analysis of social problems. One interviewee referred to the ‘Local Council’ as a ‘school’. Indeed, considering the partners that revealed the greatest awareness of a wider picture, most of them had at some point been involved with network governance structures, such as the executive board of the ‘Local Council’. Another reason for some partners to be detached from the network was that those working at the parish level were engaged in activities that were operational, rather than strategic.

4.5. DISCUSSION

The study provided evidence of the variety of cross-level and multi-level interactions between organizations and the network. In fact, the findings revealed patterns of interactions that impacted on partner’s actions and strategies. The national evaluation of the *Rede Social* Program published in 2012 (IESE, 2012b) also emphasized the importance of further developing the integrated and holistic approach that is conceptually defined as the background to the work of the *Rede Social*.

Our findings on the first research question (“*What cross-level and multi-level interactions take place between organizations and the network within which they are embedded?*”) revealed different patterns of interactions. The cross-level interactions identified represent operational links that involve capacity building through information sharing; as well as the link between strategy, coordination and control, through problem identification and the search for solutions, all wrapped into planning tools. This

represents the strategic side of the *Rede Social Amadora*, as a goal-directed interorganizational network.

Since no single organization can alone fully understand the challenges presented by the problem complexity the municipality faces, the *Rede Social* sets out to coordinate the knowledge and insights of the various partners through its planning tools; and sets in place processes that lead to plans for inter- and multi-organizational responses. These tools are a key to the link between the work of the *Rede Social Amadora* and its many individual partners.

Hence, even if information “is an important ingredient in interorganizational transactions” (Agranoff & McGuire, 2001, p. 305), the interactions at *Rede Social Amadora* go beyond that. This is characteristic of a network structure; i.e., it means going beyond a simple exchange of resources such as information and expertise – interactions that could exist in an arrangement with much less commitment –, to include the joint problem solving required by complex problems (Mandell & Steelman, 2003).

On the other hand, types of multi-level interactions were less diverse than the cross-level interactions. These multi-level interactions (among ‘Parish Board’ - ‘Parish Board’ or among ‘Local Council’ - ‘Local Council’) can be conceived as interactions at the whole-network level (Kilduff & Tsai, 2003; Provan et al., 2007). Indeed, a whole-network analysis requires an analysis of organizations (nodes) and their relationships (ties), but also an examination of the lack of such ties; and consideration of the implications of both these (the relationships and their absence) for goal attainment Provan et al. (2007). In this study, relationships existed but they were still not as developed as the cross-level interactions; the latter showed more implications for achieving the outcomes of the network.

In this respect, the recognition by the partners involved in the network that more still needed to be done to stimulate the relationships among the ‘Parish Boards’ is indicative of a recognition of their importance for the achievement of *Rede Social*’s objectives; which go beyond the goals of each individual organization (O’Toole, 1997).

The interactions among municipal-level networks – ‘Local Council’ –, that took place at the district level, were also more limited compared to other cross-level interactions. The fact that this network level – the district-level - is at a higher level of abstraction from

the concrete problems in the field, may explain the nature of the resulting interactions, which focus mostly in sharing specific experiences and planning tools.

The evaluation of the overall *Rede Social* program published in 2012 (IESE, 2012b) confirms this, by highlighting that the district-level network (Supra-municipal Platform) has a very relevant role in the dissemination of good practices, information systems and monitoring, planning documents, and common diagnoses, among others. In addition, the report shows that when it comes to specific projects, despite the potential for transferability among municipalities, many of those projects end up not being replicated in other cities (IESE, 2012b).

Still with regard to the interactions within the network, the idea of trust also emerged from the data. Although it is not clear from the literature whether trust at the network-level is the same as trust in the dyadic organizational relations that make up a network (Provan et al., 2007), the fact that the people representing the partners in the network (i.e., the workers or volunteers of the partner organizations) tended to be the same over time seemed to help build informal networking ties among the individuals. This, in turn, appeared to help build trust among the networks at different levels, as people also related to each other at the different network levels.

The 2012 evaluation (IESE, 2012b) also highlighted the gains generated from informality, and from the speeding up of processes and greater trust between institutions and individuals generated from working together in a network. These reports resemble the notion of ‘ties that bind’, which “are created by establishing both formal communication channels through technology and informal channels through face-to-face interaction, coordinating activities across organizations, and building relationships as a means to share knowledge and create trust” (McGuire, 2006, p. 38). Indeed, within the goal-directed network that is the *Rede Social*, various serendipitous networks seem to have emerged (Provan & Kenis, 2008), which in this case proved to be advantageous.

The findings in relation to the second research question (“*How do the strategies and actions at the system level interact with the strategies and actions of the TSOs in that system?*”) suggest that strategies and actions at the system level interact with the strategies and actions of the TSOs. Strategic content refers to the “identification and selection of activities that organizational leadership intends to pursue” (Stone & Crittenden, 1993). These actions and tactics make up the strategy, which is reflected in

corporate, business, and functional level strategies (Stone et al., 1999). Indeed, we found examples, which are further corroborated by the results of the 2012 evaluation report, of TSO growth strategies that depended on the social diagnosis and strategies defined at the municipal level. As noted in the report, the planning tools of the *Rede Social* provided guidance to the partner actions and projects, even when those activities did not occur under the network (IESE, 2012b).

The literature indicates that the strategic content of TSOs work is determined by characteristics of resource environments and funder relationships (Stone et al., 1999). Our findings and discussion add to this by suggesting that the strategic work of TSOs is also determined in part by strategies set at higher levels – in the network or system –, and that these go beyond the resource environments and funder relationships. They focus on the needs of the system, and the articulations of strategies between organizations. Indeed one of the characteristics of the *Rede Social Amadora* was that it provided some degree of contact between all the TSOs and the resource environment and funders; although the evidence also showed that the larger TSOs were quicker to mobilize those opportunities than smaller ones. Naturally, other factors also influence the strategic decisions of TSOs (for a review, see for instance Rajagopalan, Rasheed, & Datta, 1993), but the systemic approach to strategy required of partners in the *Rede Social Amadora* has particular relevance in this context of complexity faced by these organizations.

Finally, the findings pertaining to the third research question (“*How do the interactions between TSOs, and between TSOs and the network, impact strategy making for the TSOs and for the network as a whole?*”) suggest that the impact of the interactions between TSOs and between TSOs and the network as a whole were perceived in different ways, depending on three factors:

- 1) *The extent to which the partners recognized environmental interconnectedness* (based on Emery & Trist, 1965; Oliver, 1991; Pfeffer & Salancik, 2003) (i.e., were able to make sense of the system). The main point here is that unless the organizations in the network recognize that the problems they are addressing, and their approaches to those problems are interconnected, they are unlikely to

see the value of a higher level conceptualization of the problem set or of the opportunities to combine knowledge through the network activities.²⁸

- 2) *The extent to which the partners perceived a need to coordinate strategies at different levels* (i.e., the need to have a system strategy that goes beyond their own strategy). The assumption here is that recognizing the value of the network as a response to interconnected problems also implies the need to accept that responses to those problems will require coordinated strategies from TSOs and the network. This means accepting that a TSO cannot determine its own strategy alone, but must work with others to formulate and implement its strategy.
- 3) *The extent to which the partners perceive themselves as part of a system* (i.e., they recognize they have a role in helping implement the strategy of the system, as well as their own strategy). TSOs that recognize this will through their engagement in the system level strategy gain access to resources and relationships that would not be available to them if they were working in isolation.

In the absence of any of these three factors, we would not expect TSOs to attach much importance to strategy making that involves the organization's work and the work of the network as a whole.

4.6. CONCLUSION

This empirical study showed that the problems addressed by TSOs are often very complex. Moreover, the communities served by TSOs have issues that span the responsibilities, policies, skills, and perspectives of various individual organizations. This chapter took an empirically based systems approach to this problem by studying an interorganizational network for social support in Portugal, which was analysed here as a response to problem complexity. It is recognized that the interorganizational network was important because of the interdependence of the problems addressed, requiring extensive knowledge from the different actors to understand an environment where these problems co-exist.

²⁸ Please refer to the discussion in chapter 1 about the classifications of problem as a social constructed concept.

This network is part of a set of similar networks across Portugal. Each network acts at different geographical levels - local and municipal-, and each is comprised of public and private organizations that voluntarily come together to jointly solve social problems. The empirical study used the case study of *Rede Social Amadora* to provide evidence on three research questions.

First, the multi-level analysis revealed some lack of interaction among the structures at the parish level. This was recognized in the documents analysed, but mostly emerged from the interviews with the representatives of organizations in the network. There was an awareness that more had to be done, as parishes had much experience and knowledge to share due to their proximity to social problems.

This exchange of information was also considered important because organizations, issues, and target populations span geographical boundaries. The interactions among municipalities at the higher district level consisted more of a forum for reflection and exchange of experiences. In the case of cross-level interactions, differences in the type of exchange between organizations were detected, often relating to the level of abstraction of each network level. Major interactions were found between organizations and the 'Local Council' network level, which comprised the organizations and entities in the municipality.

Their individual contributions to the network as a whole notwithstanding, the organizations perceived that they received a lot from belonging to the network structure. They gained access to information ranging from legislation to events; access to and development of specific projects within the network framework; and access to new opportunities and training. They were able to present problems, access help in finding solutions, all the while getting to know the available resources at both the municipal and parish levels, and becoming aware of who the partners in the network were and what they were doing, as a way to explore complementarities and avoid duplications.

Organizations were also able to become involved in the strategic planning processes of the network. Despite the generally positive opinion about the *Rede Social Amadora*, in the interviews we detected differences in the levels of awareness value placed on these interactions. It was also observed that even when the value of the network was recognized, partners sometimes struggled with the availability of resources (e.g. human resources, time, and money) to devote to the project, as demands for interaction and coordination increased over time.

Second, the way strategies and actions developed at the system level interacted with the strategies and actions of the TSOs in that system was explored by looking at the strategic planning processes, and perceptions of those processes. The strategic planning adopted by the *Rede Social Amadora* at the system level was based on the idea of alignment. Some TSOs valued this approach, but others did not.

The *Rede Social Amadora* used Social Diagnoses (developed at both the parish and municipal levels) as the basis for its 3-year Social Development Plans and its Annual Plans, both of which provided strategic direction to the work of the network. This had important implications for TSOs. It particularly affected any TSO that intended to develop new services or facilities, as such projects were required to be in line with the planning tools of the *Rede Social Amadora*.

Other important impacts were found in the way the TSOs themselves provided their services. The introduction of an integrated intervention model developed at the network level had a great impact on the way the individual organizations responded to the populations they served. It also affected the way problems were addressed through different forms of intervention.

Another example of how the way strategies and actions developed at the system level interacted with the strategies and actions of the TSOs was the project developed under the *Rede Social Amadora* that aimed at capacity building in organizations. This was of benefit not only to the TSOs, but to the social services in the municipality in general.

Third, the study revealed impacts of the interactions between TSOs, and between TSOs and the network, to the strategy making of the TSOs. The extent to which these impacts were felt by the organizations was a function of the extent to which the partners viewed themselves as part of a system, saw a role for themselves in addressing collective problems, and were interested in participating in strategy making at different levels. Unless these conditions were satisfied, little importance was attached to strategy making that involved the organization and the network as a whole. In fact, the need for coordination between the various partners within the network was found to be one of the most important determinants of the success of *Rede Social Amadora*; but also one of the greatest challenges faced by the partners committed to the project.

Finally, there appeared to be a growing recognition by the partners in the network that the field they worked in was characterized by interconnection and complexity. This was

accompanied by progressively greater involvement in joint planning and design of activities. That said, there were still rather different levels of understanding and commitment to integration among the different partners in the network. The trade-off between commitment and availability of resources was still an issue. As the value of a networked approach to social problems was increasingly recognized, there was also greater demand on the people leading the network organizations. They were required to shift the focus of their attention from the organization, and take on a network level perspective. This posed the individuals with a dilemma, insofar as their rewards came from their individual organizations, not the network. Still, the theory indicates that if members of a network s are committed to fostering systems change, they do need to go beyond their own goals and commit to an overarching objective in order to be effective (Mandell & Steelman, 2003).

This study was marked by some limitations. For instance, not all partners agreed to participate in the interviews and it is unclear if this introduced any systematic bias in the findings. It is also clear that the study is focused on only one network. However, the study was designed to be explorative rather than to contribute to generalizable findings of significance for the network literature. Doing so would require a much more intensive data collection from multiple networks (Provan et al., 2007).

Instead, the aim of the study was to contribute to research on strategy making in TSOs involved in interorganizational networks facing problem complexity. That was certainly the case with the TSOs participating in the *Rede Social* program in Portugal, and it was particularly true for the participants in *Rede Social Amadora*. Further research could include a wider range of networks using the *Rede Social* approach, or carry out longitudinal qualitative studies of the processes by which the strategy unfolds in network TSOs, - as the networks themselves evolve. In addition, further studies could explore other mechanisms that might explain the theoretical and empirical arguments developed in this chapter.

Appendix 4.A – Case selection

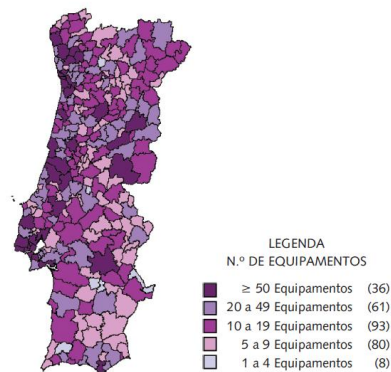
District level: 'LISBOA'

First of all, there was an analysis of data from the social services and facilities in the Portuguese territory (MTSS/GEP, 2008). The purpose was to find the district that had the highest level of social provision from TSOs and other organizations based on an index of combined indicators, related to the social facilities, the inhabitants, and equilibrium between for-profit and not-for-profit based social facilities. The selection was based on the analysis of the social services and facilities in the Portuguese territory according to publicly official available information (MTSS/GEP, 2008).

Criteria:

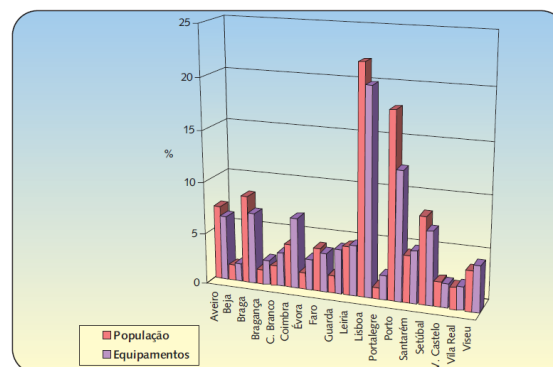
- Number of social facilities (highest in Lisboa and Porto)

Distribuição espacial dos equipamentos sociais, por concelho
Ano de 2008



- Percentage of distribution of the social facilities and the inhabitants (highest in Lisboa)

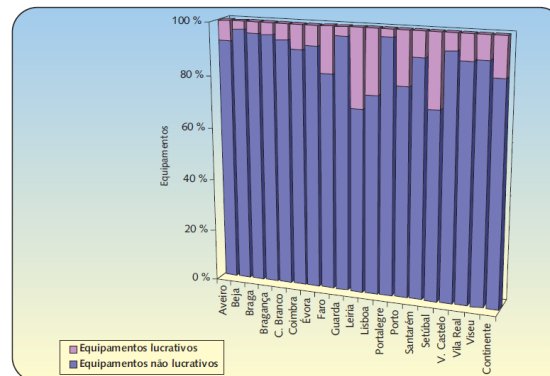
Distribuição percentual dos equipamentos sociais
e da população residente, por distrito
Continente – 2008



- Distribution of for-profit and not-for-profit based social facilities (highest equilibrium in Leiria 70/30; Setúbal 72/28; and Lisboa 76/24) – highest potential for

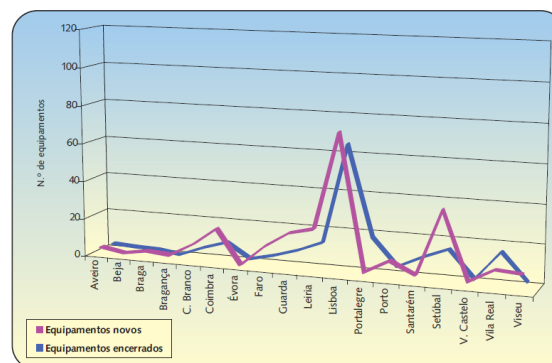
competition with the private for-profit sector with more potential to cross-sector cooperation as well.

Equipamentos sociais segundo a natureza jurídica da entidade proprietária, por distrito
Continente – 2008



- Dynamics in the social facilities (highest born and death rates in Lisboa)

Equipamentos criados e encerrados, por distrito
Continente – 2008



Municipal level: 'Amadora'

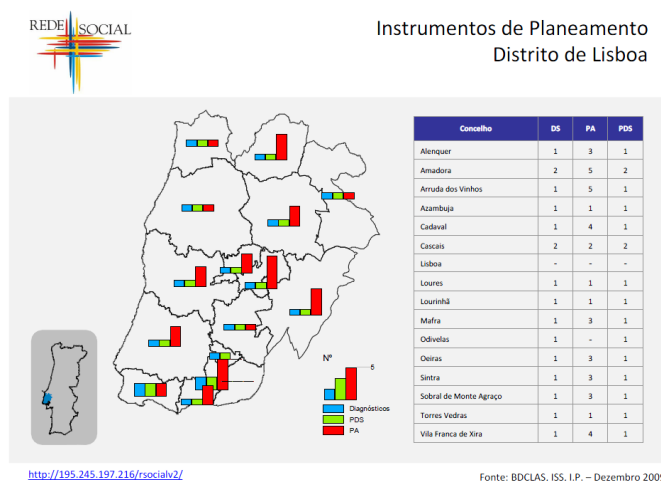
The second selection involved choosing a municipality within the Lisbon district that had the most developed networks among the municipalities within the district. This was determined based on a combined analysis of the activity of the different networks within this district. We considered the available indicators about the planning tools and their connection to the national plan for social inclusion, the number of working groups, partner forums, and the number of partners involved. Hence, the selection was based on the analysis of the activity of the "Rede Social" in the Lisbon district according to the official information available at <http://195.245.197.216/rsocialv2/> (accessed in 27-05-10). A note should be made that at the moment of the methodological decision there was

no available information from the official statistics for the Lisbon Municipality, which is the largest one situated within the Lisboa District.

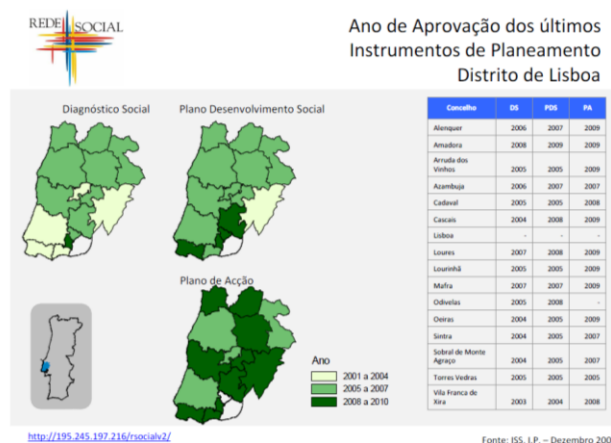
Criteria:

- Number of planning tools (highest number: Amadora (9))

http://195.245.197.216/CLAS/Todos/rex/MAPAS_DISTRITO_N%C2%BA_Instrumentos%20por%20concelho%2012_2009_Distrito.pdf

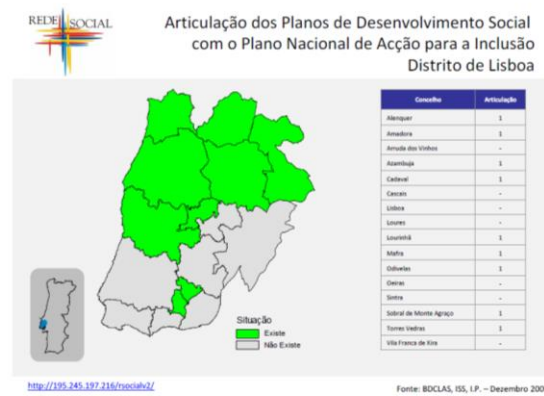


- Year of approval of the last Planning Action (Most recent: Amadora has 2 most recent Plans – Social Development Plan and Annual Plan 2009 and Social Diagnosis 2008; followed by Cascais Annual Plan 2009, Social Development Plan 2008 and Social Diagnosis 2007)

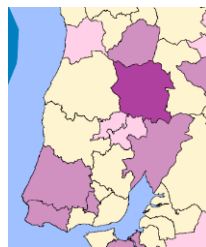


- Articulation of the Social Development Plans with the PNAI (National Action Plan for Inclusion) – (YES: Alenquer, Amadora, Azambuja, Cadaval, Lourinhã, Mafra, Odivelas, Sobral de Monte Agraço, Torres Vedras)

http://195.245.197.216/CLAS/Todos/rex/MAPAS_DISTRITO_Articula%C3%A7%C3%B5es%20com%20o%20PNAI%2012_2009_Distrito.pdf



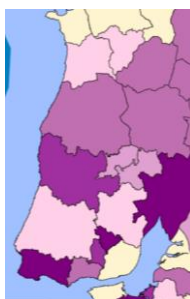
- Number of working groups and partner forums in activity in 2009 in the CLAS (Local Social Work Council) - (Alenquer, followed by Cascais, Sintra, Amadora, Vila Franca de Xira, Cadaval)



- Number of partners 'Parish Board' and 'Inter-Parish Welfare Board' - (Amadora and Vila Franca de Xira)



- Number of partners in 'Local Council' (Vila Franca de Xira, Cascais, and Odivelas, followed by Amadora (77) and Mafra)



Appendix 4.B – Interview guides

A.1 – Guide of questions for the interviews with Board members of *Rede Social Amadora*

I - Please consider *Rede Social Amadora*:

1. Given the actors in the *Rede Social Amadora*, who do you think are the actors that have the greatest influence over the direction of the network? Please explain why and how that influence is exerted?
2. How is the relationship between:
 - a. the various CSF (Parish Welfare Board) and the CLAS (Local Social Work Council)? What do the CSF give and receive from the CLAS?
 - b. the various CSF? What do they give and receive from each other?
3. How do decisions:
 - a. at the CLAS influence what the organizations are doing in the field?
 - b. at the CSF influence what the organizations are doing in the field?
4. How do organizations' decisions influence:
 - a. the various CSF?
 - b. the CLAS?
5. How is the relationship between the various CLAS?

A.2 – Guide of questions for the interviews with representatives of CSF

I - Please consider *Rede Social Amadora*:

1. Given the actors in the *Rede Social Amadora*, who do you think are the actors that have the greatest influence over the direction of the network? Please explain why and how that influence is exerted?
2. How is the relationship between:
 - a. your CSF (Parish Welfare Board) and the CLAS (Local Social Work Council)? What does the CSF give and receive from the CLAS?
 - b. the various CSF? What do they give and receive from each other?
3. How do decisions:
 - a. at the CLAS influence what the organizations are doing in the field?
 - b. At your CSF influence what the organizations are doing in the field?
4. How do organizations' decisions influence:
 - a. Your CSF?

- b. the CLAS?

A.3 – Guide of questions for the interviews with third sector organizations members of *Rede Social Amadora*

I - Please consider *Rede Social Amadora*:

1. Given the actors in the *Rede Social Amadora*, who do you think are the actors that have the greatest influence²⁹ over the direction of the network? Please explain why and how that influence is exerted?
2. How is the relationship between:
 - a. the CSF (Parish Welfare Board) where the organization belongs and CLAS (Local Social Work Council)? What does the CSF give and receive from the CLAS?
 - b. the various CSF? What do they give and receive from each other?
3. How do decisions:
 - a. at the CLAS influence what the organization is doing?
 - b. at the CSF influence what the organization is doing?
4. How do organization's decisions influence:
 - a. the CSF where the organization belongs?
 - b. the CLAS?

²⁹ By influence we consider the capacity to have an effect on what the network does, i.e., the capacity to change and shape its behavior

Appendix 4.C – Participant consent form and information

Participant Consent Form

_____ understand that I am involved in an interview for the research on networks of relationships in the context of third sector organizations.

My participation is voluntary and I agree that my comments are audio recorded.

I understand that any comments I make may be included in written material but if that happens my name or identity will not be disclosed.

Finally, I understand that my organization might be identified in the study, but quotes will not be identified by name.

Date: _____

Participant: _____

Researcher: _____

Participant information

Research Project:

Networks and Strategy in Third Sector Organizations

1) What is the objective of this research project?

The objective of this project is to investigate the dynamics between strategic and operational network, as well as the impact of the network of relationships in the strategic management of third sector organizations.

2) Who is developing this project?

This project is being developed by Ana Simaens, and it will be the basis for her PhD dissertation at the Tilburg University, Netherlands.

3) What is my participation in the project?

Your participation consists of a semis-structured interview, which will be audio record in order to develop a more rigorous qualitative analysis of the data.

4) How long does my participation take?

Your participation should take about one hour.

5) Can I withdraw from the study?

Since it is a voluntary participation, you can withdraw from the study at any point in time until its conclusion.

6) Are my identity or the organization's identity going to be revealed?

No personal information will be provided in the reports. Only the organization might be identified, but quotes will not be identified by name.

7) Which are the benefits of the study for me or the organization?

Being an academic research, it is expected results will equally bring benefits to the individuals and the organizations, in terms of the better understanding of the impact of the network of relationships on the strategic management of the third sector organizations.

8) How and when will the results of this project be known?

The results of the project will be made public in the final report of the PhD dissertation. Meanwhile, parts of the study may be published in academic journals and presented in academic conferences.

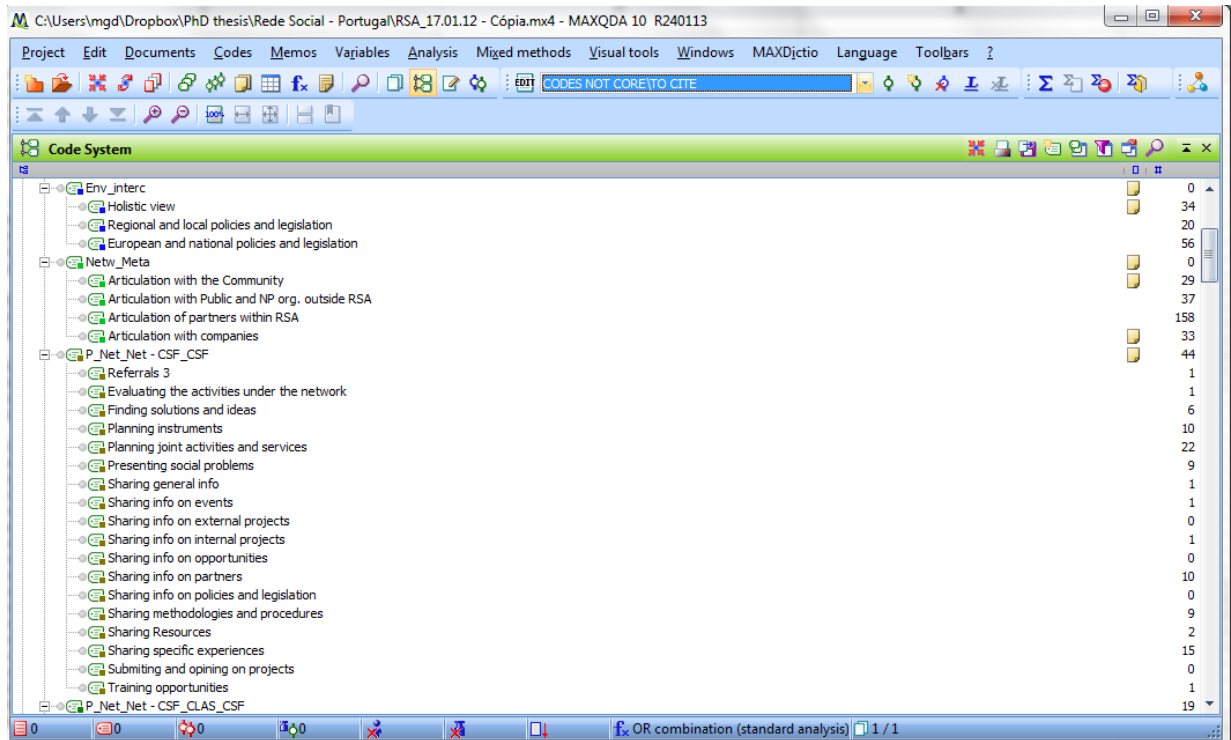
9) With whom should I talk to if I need more information?

In case you require any more information, please contact directly Ana Simaens, at the e-mail xxx or the mobile phone xxxx.

Appendix 4.D – Initial Coding scheme

Interview question	Code	Nickname	Description	Reference
	<i>Influence</i>			
	Perceived Influence	Perc_infl	Influence/impact perceived by the actors interviewed – capacity to have an effect on what you are doing	(adapted from Provan et al., 2007)
4	Organization – Network	P_O_Net	Impact of individual organizations on a network	(adapted from Provan et al., 2007)
3	Network – Organization	P_Net_O	Impact of a network on individual organizations	(adapted from Provan et al., 2007)
2/5	Network – Network	P_Net_Net	Whole networks or network-level interactions	(adapted from Provan et al., 2007)
1	Attributed Influence	Attr_infl	Actors in the network identified by the focal organization as being influential	(adapted from Boje & Whetten, 1981)
	<i>Systems approach</i>			
	Role of networks in metaproblems	Netw_Meta	The extent to which the required response is inter- and multi-organizational, since no single organization is able to meet such challenges	(Clarke & Roome, 1995; Roome, 2001; Trist, 1983)
	Environmental Interconnectedness	Env_interc	The extent to which environmental factors are interrelated and density of interorganizational relations among occupants of an organizational field	(based on Emery & Trist, 1965; Oliver, 1991; Pfeffer & Salancik, 2003)

Appendix 4.E – New codes emerging from the data analysis – excerpt of code system from Maxqda



Appendix 4.F – Connection between raw data and core concepts

Raw data - few examples (primary and secondary sources)	Subcode	Code
<p>Minutes, CLAS meeting, February 2008: "<i>the concept of social exclusion cannot be restricted; there must be a holistic perspective of the social reality, including all the other areas that can promote citizenship, namely Culture and Sports</i>"</p> <p>Minutes, CLAS meeting, September 2004: "(...) <i>explained that there was still need to work on the diagnosis as a global document, making a greater connection between the various problems identified.</i>"</p>	Holistic view	Environmental interconnectedness
Minutes, CLAS meeting, April 2004: "(...) <i>presented the project "Articulation of the Measure Rede Social with the National Plan for Social Inclusion", briefly explaining the plan and referring the key elements of this project, as well as its agenda</i> "	European and national policies and legislation	
Social Development Plan 2009-2011: " <i>Multiple planning instruments were analyzed, such as the municipal plan (...) in order to cross the data obtained with the existing ones, articulate the diverse documents and relate the objectives, promoting their coherence and complementing the information obtained, allowing to some extent standardizing procedures</i> "	Regional and local policies and legislation	
<p>Interview, TSO partner D: "<i>our strategic plan, when it is conceived, and for instance – in the course of the auditing that we have - we are certified – that crosscheck is made: there is the Plan of the Rede Social... how does the strategic plan of 'D' meet the needs of the city... they crosscheck mainly the strategic axes. How does 'D', by launching a European funded project in the area of elderly people... how does that meet the city needs</i>"</p> <p>Interview, TSO partner V: "<i>In the last meeting where there was the presentation of the report of the Rede Social, those data are important so that the organizations become aware of the main needs... this seems to me as a sign of strategic planning... future oriented... planning any intervention based on the data, a more specific evaluation of what is going on, at least in the municipality.</i>"</p>	Impacts of decisions / strategic planning	Perceived influence Organization - Network
Minutes, CLAS meeting, September 2004: " <i>It was also explained that the Diagnosis is still a provisory document and that it will be discussed and analysed by all the partners involved</i> "	Planning instruments	
<p>Minutes, CLAS meeting, May 2007: "(...) <i>referred that host families can be a good solution for the children in danger in the municipality</i>"</p> <p>Minutes, CLAS meeting, April 2009: <i>The working groups met for one hour to define strategies for each of recommendation</i></p>	Finding solutions	

5. PURSUING THE MISSION OF THIRD SECTOR ORGANIZATIONS IN THE CONTEXT OF INTERORGANIZATIONAL NETWORKS: IMPLICATIONS TO STRATEGY^{30,31,32}

“It takes a system to change a system”

(Chisholm, 1998, p. 210)

TSOs face multiple sources of complexity in the pursuit of their missions. These include the institutional, problem, strategic, and operational complexities explored in this chapter. There are increasing demands on TSOs to fill the gaps in social provision arising as sections of society face ever more difficult economic and financial conditions. However, the TSOs themselves are also faced with growing challenges, particularly in terms of access to resources. Funding sources have less available to disperse due to the demands of austerity, and the competition among TSOs for that diminishing pool of resources is increasing. The increasing complexity faced by TSOs has demanded new forms of cooperation and interorganizational coordination. It is in the context of multiple networks of relationships, both serendipitous and goal-directed, that this chapter explores a systems approach to mission pursuit. Based on an empirical study with twenty-three TSOs belonging to an interorganizational network, we explore not only the environmental interconnectedness and complexity they face, but also the role of interorganizational relationships within the boundaries of the network for mission pursuit. The findings suggest that these TSOs face multiple enablers and barriers in the pursuit of their missions, related to a set of interorganizational relationships both within and outside the borders of the goal-directed network. The mechanisms of competition and cooperation detected are also explored.

Key words: *Complexity; competition; cooperation; mission; networks; third sector*

³⁰ This version has benefited from constructive feedback from Niels Noorderhaven and the committee members. All errors remain ours.

³¹ An earlier version of this chapter has been presented at the XV Congreso de Investigadores en Economía Social de CIRIEC-España, 24-26 September, 2014, Santander, Spain, Santander, Spain; and at the 43rd Annual Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA) Conference, 19-22 November 2014, Denver, CO, USA. We thank the participants for their feedback. All errors remain ours.

³² We would like to express our gratitude to the organizations and their representatives that made possible the study presented here. Nevertheless, the views and arguments expressed herein are the authors' responsibility and do not necessarily reflect the view of the organizations or representatives that participated in the study.

5.1. INTRODUCTION

“Starting with the mission and its requirements may be the first lesson business can learn from successful nonprofits” (Drucker, 1989, p. 89). This classic quote from Peter Drucker portrays the importance of mission in the context of nonprofit organizations – organizations included in that set between the market, the state, and the community, also known as Third Sector Organizations (TSOs) (Pestoff, 1998). Indeed, mission or “psychological and emotional logic that drives an organization”, is seen as “perhaps *the* defining feature of a nonprofit organization”, which distinguishes them from the private-sector (Phills, 2005, chapter 1, para. 1, italics in the original). Mission in TSOs is very important to their management in general (Drucker, 1989, 1990) and to their strategic management in particular (Bryson, 2011), for the simple reason that a mission creates discipline: it directs the organization to action, and helps define the courses of action required for goal attainment (Drucker, 1989).

The operational domains wherein nonprofit organizations act are important in setting the boundaries of the social concerns they addressed (Brown, 2015). This ability to define their operating context helps nonprofit managers identify the entities most likely to influence performance or success (Brown, 2015). Nonprofits typically operate in two domains: public benefit and resource; but the organizations need to further define their operating focus in each one (Brown, 2015).

However, obtaining a consensus with regard to domain-setting is not an easy task (Hasenfeld, 1983). This can result in interlocked operations among the organizations in a system, leading to operational complexity arising from the multiple services provided by the multiple organizations (Agranoff, 2014).

Mission ‘statements’ can be helpful in defining how the organization describes itself (Brown, 2015). These statements are important in all types of organization, and nonprofits are no exception (Ireland & Hitt, 1992). In general, mission statements are key to shaping strategic planning (Boyd & Reuning-Elliott, 1998), because they delineate the organization’s aims, its target markets and the underlying philosophy for its actions (Ireland & Hitt, 1992). In the specific case of TSOs, mission has a particularly important role in ensuring efficacy in resource allocation (Drucker, 1989). By focusing on the mission, these organizations can ensure that they concentrate their typically limited resources “on a very small number of productive efforts” rather than “on things that are ‘interesting’ or look ‘profitable’” (Drucker, 1989, p. 89).

Indeed, several benefits have been attributed to mission statements in organizations. For instance, in a study of Flemish nonprofit healthcare organizations, Vandijck, Desmidt, and Buelens (2007, p. 131) found that the mission statement was considered by managers as “an energy source, a guide to decision-making and to influence the managers’ behaviour”. In line with these findings, another study on hospitals found that nonprofit organizations’ missions impacted their innovation processes (McDonald, 2007). Another example was noted by Bart and Tabone (1998) who observed that in the health sector, the alignment of the organization with the mission statement was crucial to the success of both the mission and the hospital itself. Similar findings come from the public sector. For instance, in his study on public service, Wright (2007) found out that having an organizational mission increased employee work motivation in the public sector.

Despite the importance of the mission statement as a guide to an organizations’ strategy, course of action and activities, the pursuit of mission is used in this chapter as a ‘process of putting in place the purpose of the organization in its daily operations’. This goes beyond the mission as an instrumental tool (mission statement), but does not necessarily account for its outcomes (mission accomplishment). Hence, rather than focusing on the existence of a mission statement, or on the extent to which the mission is accomplished or not, this chapter directs its attention on ‘*mission pursuit*’ by TSOs.

In this mission pursuit, TSOs are exposed to multiple sources of complexity, namely problem complexity (e.g. Ackoff, 1974), institutional complexity (e.g. Stone, 1996), strategic complexity (Klijn & Koppenjan, 2014), and operational complexity (Klijn & Koppenjan, 2014). Failure to recognize and respond to such complexities can jeopardize the TSOs’ ability to deliver on their organizational mission. As noted by Klijn and Koppenjan (2014), trying to manage complexity does not necessarily mean solving wicked problems (they are unsolvable by nature anyway); instead, coping with complexity sets the conditions for wicked problems to be dealt with.

Some authors have suggested that the increasing complexity has demanded new forms of collaboration and interorganizational coordination (e.g. Ackoff, 1974; Roome, 2001; Trist, 1983). TSOs are involved in multiple interorganizational networks, both of an emergent and structured nature, which have to be managed in order to enhance the capacity of individual TSOs to pursue their mission. The result is an inevitable increase

in complexity, as managers find themselves in effect operating within a larger system, composed of several different (and inter-connected) networks (Mandell, 1988).

Furthermore, mission pursuit, as the process of reflecting the purpose of the organization's existence in its day-to-day operations, is also carried out in a context of potentially interlocked operations. This may result in more pressure on TSOs for both competition and cooperation (Brown, 2015). In this chapter, we examine the mechanisms of competition and cooperation (Bunge, 2004) in place when TSOs are pursuing their mission in the context of interorganizational relationships. Specifically, we deal with the impact of goal-directed and serendipitous networks, as responses to institutional and problem complexity, on the way organizations perceive their mission pursuit.

Despite its importance, the influence of networks of relationships and interorganizational ties on the mission of TSOs (be it mission statement, pursuit or accomplishment) has received sparse attention in the literature, exceptions notwithstanding. These include a recent study by Koch et al. (2014), which found that although the services and clientele of TSOs were in line with their mission statements, those statements were subject to change over time, in light of the activities and beneficiary groups considered important to the organization's partners and network ties. In their study of Irish housing organizations, Rhodes and Keogan (2005) also found evidence of the perceived importance of networks. Several of the organizations in their study felt they were lacking in terms of networking, and that this was hampering their ability to accomplish proposed goals. Findings from Rhodes and Keogan (2005) also revealed the importance of the network of nonprofit organizations as a whole, and its 'fit' in the formulation of nonprofit strategy. Nevertheless, the authors conclude that this is "a topic worthy of more focused research efforts" (Rhodes & Keogan, 2005, p. 132), which is where the current chapter aims to contribute, through empirical evidence on the role of interorganizational networks and ties in the strategic management of TSOs. It thus addresses the following overarching research question: ***How do TSOs pursue their mission in the context of interorganizational networks where they face both cooperation and competition?***

In order to address this research question, this chapter presents a qualitative empirical study involving 23 Portuguese TSOs providing various services to underprivileged groups of the population. These organizations were selected because they belonged to

an interorganizational, goal-directed network, working towards social issues in a delimited geographical area of Portugal.

The findings indicate that in pursuing their missions, these organizations faced various enabling factors and various barriers to action, related to a set of interorganizational relationships both within and outside the borders of the network. The chapter is organized as follows. In the next section, we set out a theoretical contextualization, drawing on ideas about environmental interconnectedness and complexity as they apply to problems faced and addressed by TSOs. After, we present the methodology used in the empirical study and then outline its main findings. The chapter ends with a discussion of the findings and conclusions.

5.2. THEORETICAL CONTEXTUALIZATION

5.2.1. Environmental interconnectedness and complexity

Environmental interconnectedness refers to the extent to which environmental factors are interrelated, and to the density of interorganizational relations among the occupants of an organizational field (based on Emery & Trist, 1965; Oliver, 1991; Pfeffer & Salancik, 2003). The complexity faced by organizations can take on various forms. Here, we focus on specific four types: problem complexity, institutional complexity, strategic complexity and operational complexity.

Problem complexity arises because issues like ‘health’, ‘poverty’, and ‘polluted environments’ are classified as interdependent problem-sets made up of connected problems, i.e., ‘metaproblems’ (Cartwright, 1973; Chevalier & Cartwright, 1966), ‘messes’ (Ackoff, 1974) or ‘wicked problems’ (Rittel & Webber, 1973). The idea behind the notion of problem complexity is related to so-called ‘substantive complexity’, which relates to the content of the problem addressed and the nature of the solutions under consideration (Klijn & Koppenjan, 2014). This is in line with the characteristics of wicked problems, where complexity is rooted more in different perceptions of the nature of the problems and their solutions, than in a lack of information about them. That is, the “complexity is not caused by information shortage,

but by the lack of a joint frame of reference and shared meaning among actors” (Klijn & Koppenjan, 2014, p. 63). This brings us to the next type of complexity.

‘Institutional complexity’ arises from organizations’ exposure to conflicting principles, coming from different institutional logics (e.g. Reay & Hinings, 2009). When in conflict, these logics that provide guidelines on how to interpret reality and behave appropriately in social situations, can result in institutional complexity (Greenwood et al., 2011). Applied to network settings, institutional complexity can also reflect the fact that the actors in a given network come from various institutional backgrounds, with different logics and rules, such as the public, private and nonprofit sectors; and may belong to various networks, each with its own set of rules and characteristics (Klijn & Koppenjan, 2014).

‘Strategic complexity’ refers to the fact that each actor can autonomously choose its individual strategy, which can result in conflicting sets of strategies aimed at addressing the same complex problem as well as conflicting responses from other actors (Klijn & Koppenjan, 2014). Indeed, “it is difficult to predict what strategies actors will choose, how strategies will evolve during the process, and how the interactions of these strategies will influence the process of problem-solving” (Klijn & Koppenjan, 2014, p. 63).

Finally, *operational complexity* refers to the fact that there are multiple services provided by multiple organizations, which may result in *interlocked operations* among the organizations in the system (Agranoff, 2014, p. 55).

Settings facing these types of complexity require a high degree of interorganizational coordination and collaboration, often taking place through formal structures that bring organizations together in forums or platforms or through networks (Ackoff, 1974; Roome, 2001; Trist, 1983). This constitutes a system problem whose significance for strategy only increases with the complexity TSOs encounter (Paarlberg & Bielefeld, 2009; Roome, 2001). In the next section, we explore TSO mission pursuit through a systems approach to strategy, which lends a useful theoretical lens for understanding the interactions in place.

5.2.2. *Mission pursuit in a systems approach to strategy*

The pursuit of mission goes beyond the mission statement as a strategic management tool, in the sense that it concerns how organizations develop their activities in order to (eventually) accomplish their mission. Nevertheless, mission pursuit does not necessarily account for its outcomes; the extent to which the organization eliminates homelessness, for instance, if that were its mission. Hence, even if mission accomplishment is a way to appraise organizational performance (Brown, 2015; Herman & Renz, 2008), and arguably a particularly suitable approach in the nonprofit sector at that (Sheehan, 1996), our focus here is on how TSOs *pursue* their mission, rather than the extent to which they fulfil their social purpose.

As previously noted by Koch et al. (2014), changes to the services provided by TSOs and the clientele they serve as specified in their mission statements can be affected not only by the resource streams available to them, but also by their network ties; i.e. the mission statements of peer organizations can help predict future changes in a focal organizations' mission statement. This observation lends support to the idea that their interorganizational ties can greatly influence nonprofits' future activities and client base (Koch et al., 2014). In other words, networks of relationships can affect the way TSOs pursue their mission. In fact, Rhodes and Keogan (2005) found that the existence of quality relationships with other organizations, namely other TSOs, local authorities, or other government entities, works as an enabler of the TSOs' activities.

Acknowledging the importance of networks of relationships to mission pursuit brings us back to the various types of complexity presented above, to the extent that the domains addressed by TSOs often contain problem complexity. Furthermore, when TSOs independently choose their strategies, offering the services they believe to be important to audiences they think matter, both strategic and operational complexity are likely to increase. Hence, strategy making and its operationalization in the face of complexity should begin with the recognition that it is partly shaped by the interorganizational relationships between TSOs and other actors, while also taking into account the interconnectedness of social issues in the problem domain.

The literature on interorganizational networks in the context of the public sector lends further support to this argument. Mobilization behaviour in a given setting requires viewing the strategic whole and recognizing the strategic interdependence among

organizations. That is, organizations need to be aware that their behaviours and actions will depend on those of their competitors; and managers' actions in such settings should reflect an understanding of their organization's position within the collective of organizations surrounding it (Mandell, 1988).

Turning back to TSOs, the importance of coordination among actors in the system and of individual TSO strategies seems clear. However, the traditional literature on strategic management in TSOs (for reviews please see Domański, 2011; Filho, 2014; Stone et al., 1999; Stone & Crittenden, 1993) provides little insight into how to deal with these complex interactions, particularly when compared to the contributions from complexity science (Paarlberg & Bielefeld, 2009). This implies that a systems approach to the way TSOs pursue their missions is particularly relevant, and that TSOs should formulate and then implement strategy in ways that do not separate them from the system in which they operate (for further elaboration please consider Chapter 2). This acknowledges that the system is partly created and enacted through relationships between TSOs, other organizations, and their clients – and through their strategies and actions. And by 'system' we understand a set of interrelated elements, where the system as a whole cannot be divided into independent elements (Ackoff, 1974).

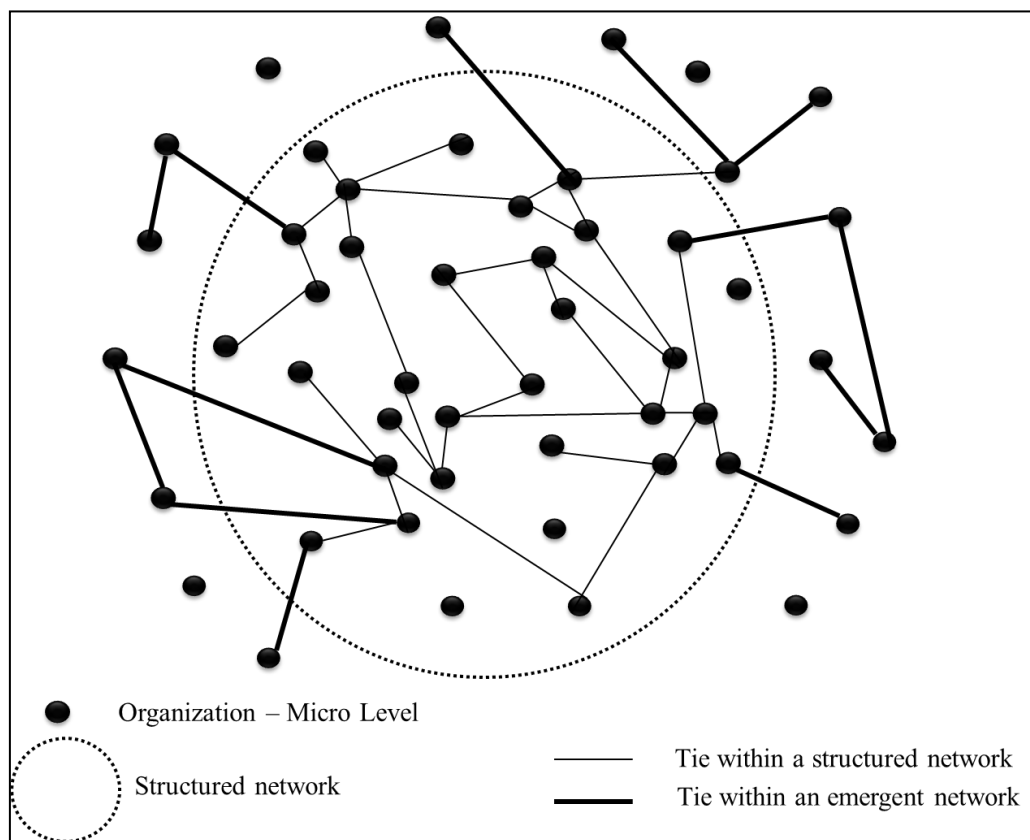
The research problem is thus centred on the way TSOs decide and address social problems within the context of multiple networks of relations. In this study, we specifically address the combination of serendipitous and goal-directed networks (Kilduff & Tsai, 2003). In order to understand the dynamics of these two types of networks in mission pursuit, this study explores this overarching research question: ***“How do TSOs pursue their mission in the context of interorganizational networks where they face both cooperation and competition?”***, through the following more specific research questions:

- 1) *What is the role of interorganizational networks in mission pursuit?*
- 2) *What are the enablers and barriers to mission pursuit?*
- 3) *How do these enablers and barriers to mission pursuit relate to the network of relationships to which the TSO belongs?*

In this study, the “principle of the system boundary” is key, in that it determines that “the interactions that must be examined are those most important to the issue at hand, regardless of the parochial organization boundaries” (Senge, 2006, p. 68). The general

overview of the boundaries of the study is presented in Figure 5.1. The starting point is that in order to pursue their missions, TSOs develop multiple relationships that are either emergent, or develop within structured networks that can exist at different levels (such as at the geographical level). Hence, in this study we will look at the importance TSOs attribute to other network organizations in their mission pursuit; the tie between them being the acknowledgement of that importance.

Figure 5.1 – Research framework



5.3. METHODOLOGY

5.3.1. Research method

The empirical study set out to explore how TSOs pursue their missions in the context of networks of relationships. The empirical research was in line with complexity theory, in deploying qualitative, field-based methods of inquiry (Anderson, 1999). The research

method was the case study, which is particularly appropriate in addressing “why” and “how” questions, particularly when the researcher has little or no control over the events, and the study focuses on contemporary phenomena (Creswell, 2006; Yin, 2009).

The case included a sample of twenty-three TSOs belonging to a local interorganizational network in Portugal, aimed at social intervention at the local level, called *Rede Social da Amadora*. The *Rede Social Amadora* was part of a larger set of networks distributed at the municipal level in Portugal, named “*Rede Social*”³³. This broader network started in 1997 as a public recognition of already existing, informal networks at the local level. Later, in 2002, the wider network became a program (IESE, 2012b), through a new legislative document³⁴ which put forward the action model of the *Rede Social*. With this, the focus of the networks shifted from social action to the “strategic planning of social intervention” (IESE, 2012b, p. 12).

This shift marked a move toward a more holistic approach to poverty eradication, then further amplified into the “promotion of social development” (IESE, 2012b, p. 12). The “*Programa Rede Social*” became an instrument of planning and execution through participative public policies, which was wider than the forum of actors involved in social intervention initially conceived (IESE, 2012b). The process of institutionalization of this network was strengthened in 2006, with legislation³⁵ that transformed the “*Rede Social*” into an organic structure with a specific bylaw. *Rede Social Amadora* is one of the local networks in this structure, and the TSOs explored in this chapter belonged to it. In addition to TSOs, the network also comprises of local government partners from the municipal and parish levels, as well as public and private entities that voluntarily adhere to it.

The complete set of TSOs belonging to *Rede Social Amadora* at the time of data collection – January to June 2011 - consisted of forty-one TSOs, which were all invited to participate in this study. Of these, twenty- three TSOs accepted, three declined, three showed interest but did not participate, and eleven did not react, despite further attempts to involve them (a second round of e-mails was sent one month after the first, to those TSOs that had not answered to the first call). The one remaining TSO corresponded to a case where the same person represented two organizations in the same interview. For

³³ For a more detailed account of *Rede Social*, please refer to chapter 4, section 4.2.

³⁴ DN N° 8/2002 (Legislative Order 8/2002)

³⁵ DL N° 115/2006, de 14 de Junho (Law-decree 115/2006, 14th of June)

the purposes of the empirical research, this respondent was allocated to the TSO where the interview took place, as this was the focus of the interview. In the end, thirty-one people were interviewed, in representation of twenty-three case TSOs included in the study.

5.3.2. Data collection and analysis

The data plan included the collection of both primary and secondary data, which enhanced the possibility of triangulation of sources and information (Yin, 2009), although only in terms of facts, not perceptions. Primary data included interviews, while the secondary data was based on document collection and analysis.

Because the universe of organizations and entities was determined a priori, there were no sampling issues. Prior to the interviews, desk research about the organizations was conducted, and an interview guide with open-ended questions developed (Appendix 5.A). All the interviewees were provided with information about the study and signed a consent form (Appendix 5.B). The total amount of interview time spent with the TSOs was about 18 hours, but this study was part of a larger research project and the interviews embraced the whole project (please refer to chapter 4). All the interviews were conducted in Portuguese.

Document analysis included information about each of the twenty-three TSOs – e.g. reports and plans available online, or provided by the interviewee; but also included official documents from the *Rede Social Amadora*, such as minutes from the Executive Board meetings and plenary sessions of the ‘Local Social Work Council’³⁶ (hereafter ‘Local Council’), as well as planning tools and Reports. These tools included Social Diagnoses, Social Development Plans, as well as Annual Plans at the municipality and parish levels.

In this study, the twenty-three recorded interviews were transcribed and coded together with the secondary data. The codification process was partially based on the literature, with some codes established a priori (Appendix 5.C); while others were created throughout the process, as new themes emerged (Appendix 5.D). Given the exploratory

³⁶ Corresponds to the Portuguese ‘*Conselho Local de Ação Social*’, known by the acronym CLAS. This is composed of the group of the organizations belonging to the network at the municipal level. In the plenary sessions, the organizations come together and take decisions on various issues related to the network.

nature of the study, the themes related to the enablers and barriers to mission pursuit were entirely generated from the interviews, following an inductive approach. This specific analysis was based solely on the interpretation of participants' perceptions, as the actors directly involved in the pursuit of organizational mission. To comply with the anonymity agreement, TSOs are identified here with capital letters (e.g. A, B, Z).

In order to ensure the quality of the research design, several criteria were considered. First, a case study protocol and databases were developed in order to increase reliability (Silverman, 2005; Yin, 2009). The specific concepts used in the study were defined according the literature prior to data collection, and multiple sources were used as a way to ensure construct validity (Yin, 2009). Internal validity was not a concern as the study was exploratory in nature (Yin, 2009). Finally, qualitative studies seek to be generalized to some broader theory, not statistical generalization (Yin, 2009). Hence, the study was informed by a replication logic that could be developed in the future.

5.4. ANALYSIS OF THE FINDINGS

5.4.1. *Environmental interconnectedness and complexity*

Environmental interconnectedness refers to the extent to which environmental factors are interrelated, and to the density of interorganizational relations among those in the field. There is evidence of awareness of this environmental interconnectedness in three main subthemes generated in the data analysis: the holistic view; the link between regional and local policies; and the link between European and national policies and legislation.

First, we found the notion of a *holistic view* of the activities of the network and of the actors themselves among respondents. For instance, one of the partners in a meeting noted that the concept of social exclusion could not be restrictive, as “*there must be a holistic perspective of social reality, including all the other areas that can promote citizenship, namely Culture and Sports*” (‘Local Council’, Feb 2008). In the same line of thought, the Social Development Plans underlined that *Rede Social* intended to “*conjugate policies in the diverse sectors: Education, Employment, Health, Housing and Social Protection, to allow an integrated planning and take full advantage of*

existing resources” (SDP, 2005-07; SDP, 2009-11). According to the document analysis, this orientation had been followed in the implementation of the *Rede Social Amadora*, which was grounded on a logic of systemic intervention, the first phase of which was to consolidate and revitalize the partnerships, through meetings to inform and clarify the project to potential partners (SDP, 2005-2007).

This environmental interconnectedness was acknowledged in multiple meetings and interviews, as were its impacts on the interorganizational relations among the actors. For instance, one partner recognized a trend towards integrated and global services, provided by TSOs to the whole municipality rather than only to the parishes where they were located; because “only then does social intervention makes sense” (‘Local Council’, July 2006). Furthermore, it became apparent that a lack of awareness of this interconnectedness could result in unsuccessful strategic initiatives by the TSOs. There were examples of projects that received a negative statement when submitted to the network for evaluation, because they lacked knowledge about the social reality of the territory, as well as the facilities and partners already in the field (‘Local Council’, Jan 2009).

Second, we found latent in the documents a *link between the regional and local policies and the activity of the network* and of the TSO themselves. References to this link included, for instance, tools such as: the Social Diagnosis; Municipal Plans, in specific areas such as education, health (‘Local Council’, Oct 2008), equal opportunities (EB, May 2011) or the fight against domestic violence (e.g. EB, Jan 2011); the impacts of Municipality Plans, namely in terms of investment policies and budget constraints (‘Local Council’, Dec 2010); the Municipal strategy for the integration of homeless people (EB, Apr 2010; EB, May 2010; ‘Local Council’, Feb 2011; EB, Jun 2011); and the Municipal strategy for work with vulnerable groups (EB, Dec 2010).

Finally, the links between these tools existed at a higher level of abstraction, through the *links made with European and national policies and legislation*. For instance, the EU strategy for fighting poverty and social exclusion was the framework used for the development of the PNAI – National Action Plan on Social Inclusion defined and updated in Portugal during the European process for social inclusion. The articulation of the plans at the *Rede Social* level with the PNAI was continually mentioned in the meetings (e.g. ‘Local Council’, April 2004; ‘Local Council’, April 2005; ‘Local Council’, Sept 2006; EB, Jan 2008; EB, April 2008; EB, Sept 2008; ‘Local Council’,

Oct 2008; EB, Nov 2008). In a similar way, the Social Development Plan for 2009-2011 also referred to the external coherence of that plan with national plans and measures, as well as to articulation with the local plans and measures (SDP, 2009-2011). An example of such interconnectedness of policies at the different levels, and their interaction with the *Rede Social Amadora*, was the Plan Against Domestic Violence at the national level, and later the Municipal Plan Against Domestic Violence, which was based on a project already in place at *Rede Social Amadora* (EB, Jan 2011; ‘Local Council’, Feb 2011; EB, April 2011). The Municipal strategy for the integration of homeless people also drew on the corresponding National strategy. After its presentation at ‘Local Council’ meeting, a working group from within the network was formed (‘Local Council’, Dec 2009) to consider its link with one of the strategic axis of the network – Territories and Vulnerable Groups (EB, Dec 2009). As noted by one of the partners, “*I think that even the strategies for the community... of the ‘Local Council’ also, whether we want it or not, have to be directly associated to the strategies at the European Union*” (Interview, TSO O).

In terms of forms of legislation with implication for the *Rede Social Amadora*, examples included the legislation on the *Rede Social* at the national level (‘Local Council’, Sept 2006; ‘Local Council’, Dec 2006) which influenced the way this network was organized and governed; legislation on nationality (‘Local Council’, Sept 2006), which implied the work of several actors, because the town had large number of immigrants; legislation on areas such as education and social facilities for children (‘Local Council’, July 2007); or even legislation on financial support for TSOs (‘Local Council’, July 2008), which had a major impact in the provision of services in the municipality.

5.4.1.1. *Institutional complexity*

From the beginning of *Rede Social*’s experimental phase, the TSOs in the various municipalities were confronted with contradictory logics. On the one hand, there was a strong, dominant, culture based on competition; on the other, there was a more recent, emerging, culture of interorganizational cooperation (Castro et al., 2009). Over time, these institutional pressures resulted in changes in the paradigm of social action in Portugal (Castro et al., 2009). From a more competitive and closed approach, the TSOs in the country have progressively been moving towards more of a partnership approach, with organizations and entities from the various sectors.

This shift notwithstanding, there were also accounts in the data of ‘bad’ competition still being in place: “*that is a problem (...) when the organizations, even in the same municipality, working in the same area (...) there is a tendency to create competition, not in the good sense... competition in the bad sense (...)*” (Interview, TSO D). As noted by Castro et al. (2009, p. 101) in the report about the challenges of the *Rede Social* program, “local development must be perceived as an integrated planning project, not just from an economic standpoint but also as a result of the relationship of conflict, competition, cooperation, negotiation, partnership and reciprocity between the various actors involved.”

5.4.1.2. Problem complexity

The co-existence of problems in the same geographical area increases the potential for problem complexity. This seemed to happen, at least at the network level. The data showed that, in the plenary sessions of the *Rede Social Amadora*, it was argued that the social diagnosis of these issues - where the social issues were identified at the parish and municipal levels - should be worked on as a global document, making a stronger link between the various problems identified (‘Local Council’, Sept 2004). For instance, in the process of the development of the new Social Diagnosis of 2011, the significance of the transversality of the problems identified by the various Parishes was clearly detected (‘Local Council’, May 2011).

In order to capture the extent of this problem complexity at the municipal level – i.e. the environment faced by all the TSOs in the network -, we explored the multiple ties among problems identified in two social diagnoses. Considering the difficulty in delineating the boundaries of problems, in this study we used a codification that had been prepared independently from this research, based on the understanding of the people involved in the *Rede Social*. The list of problems in Table 5.1 was prepared based on the information from the database of *Rede Social* at the national level³⁷.

It is worth noting that these problems differed in nature. Some of them referred to specific targets (e.g. the Elderly, Groups in vulnerable situations, Families, the Community), while other were issue-based (e.g. Accessibility and mobility, Environment and territory, Employment and unemployment, Education, Health).

³⁷ <http://195.245.197.216/rsocialv2/>, accessed in 21-10-2010

Table 5.1 – List of problems identified in the Social Diagnoses 2004 and 2008

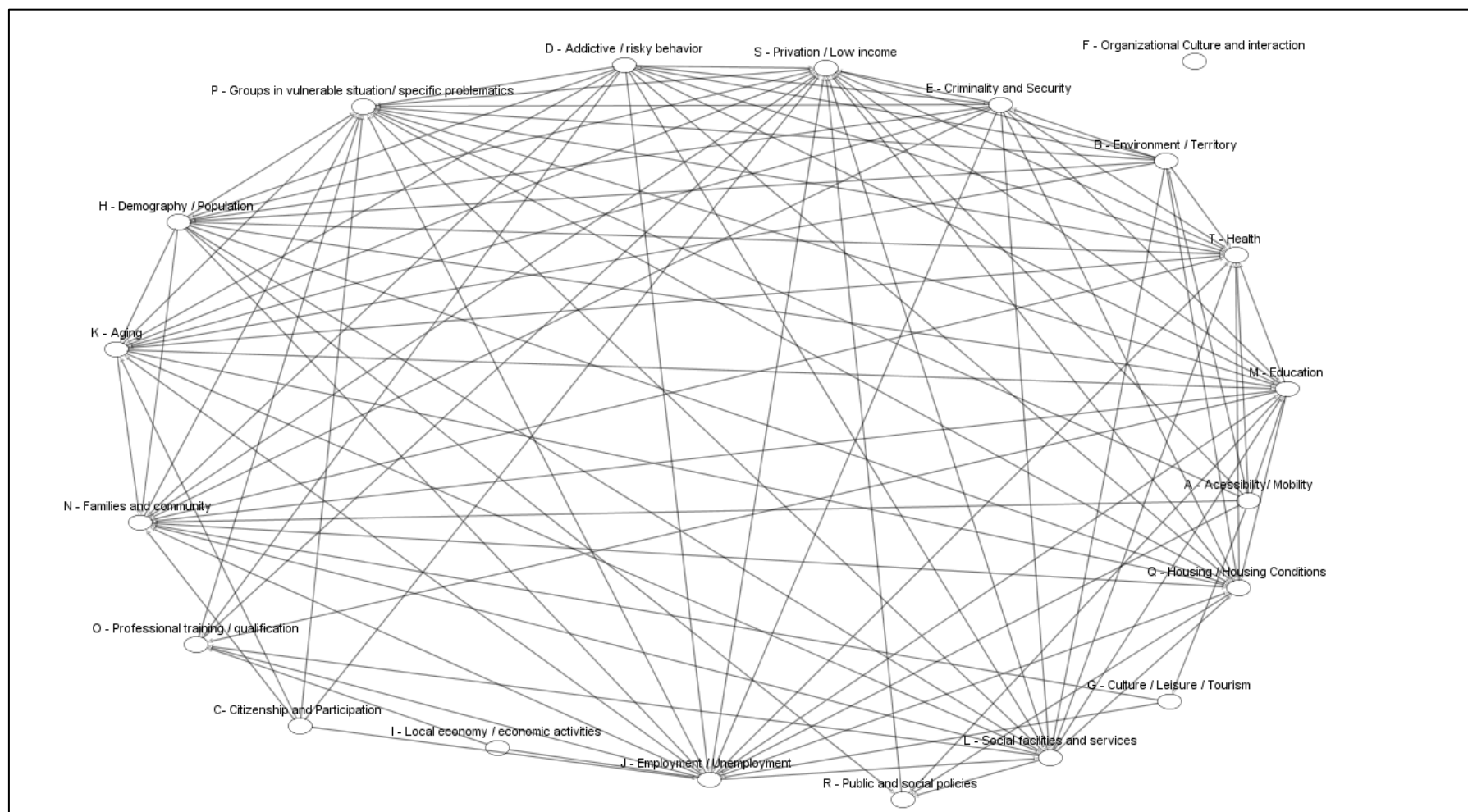
Problems	
A - Accessibility/ Mobility	K – Elderly
B - Environment / Territory	L - Social facilities and services
C - Citizenship and Participation	M - Education
D - Addictive / risky behaviour	N - Families and communities
E - Criminality and Security	O - Professional training / qualification
F - Organizational Culture and interaction	P - Groups in vulnerable situation/ specific problematic
G - Culture / Leisure / Tourism	Q - Housing / Housing Conditions
H - Demography / Population	R - Public and social policies
I - Local economy / economic activities	S - Privation / Low income
J - Employment / Unemployment	T – Health

Using the list of problems above, we analysed the social diagnoses at the municipality level prepared in 2004 and 2008, and identified the problems that were mentioned jointly in these documents. Considering the paragraph as the unit of analysis, every time two problems were referred to simultaneously, they were coded as such. For instance, the description of unemployment issues came often together with education issues, or vulnerable groups in the community. This simultaneity in the discourse was used as a proxy for the relationship between the problems. From this analysis, we built a network of problems in the problem set as presented on Figure 5.2. Although this network only illustrates the existence (or absence) of links between the problems without weighting these links, it clearly shows that these problems are intertwined.

A more detailed analysis indicated stronger relationships for the problems ‘Groups in a vulnerable situation’ with: 1) Social services and facilities; 2) Aging; 3) Privation and low income; 4) Criminality and security; 5) Education; 6) Employment and unemployment; and 7) Health. In addition to these stronger links, other links are worth noting. These include the relationship of ‘Aging’ with: 1) Social services and facilities; and 2) Privation and low income; as well as the relationship of ‘Employment and unemployment’ with: 1) Professional Training; 2) Education; and 3) Privation and low income.

The results thus showed a clear crossing between the problems. The targets apparently requiring the most attention were those in a vulnerable situation (e.g.: immigrants, young mothers, disabled people, addicts, and so on), and elderly people. Among the issues that appeared as overlapping the most with these target groups were social services and facilities; privation and low income; criminality and security, education; employment and unemployment; professional training; and health.

Figure 5.2 – Network of problems identified at the municipality level in 2004 and 2008



5.4.1.3. Strategic complexity

The analysis of institutional and social complexity provided an overview of the potential interconnectedness of the major concerns of the *Rede Social Amadora* and of the City Council, Parishes, public entities, and TSOs in this town. This suggests a potential overlap in organizational interests, goals, responsibilities, and actions when trying to address these issues, likely to increase strategic complexity, as discussed above.

The network level planning mechanisms (discussed in chapter 4), however, should theoretically reduce this strategic complexity by aligning actor strategies with the network level strategy. Even if each TSO can autonomously choose its individual strategy, those strategic mechanisms should reduce the potential for conflict among the strategies aimed at addressing the same complex problem and consequent responses from the other actors.

As an example, we present the framework of the Social Development Plan for the period 2005-2007 (SDP, 2005-2007). Based on the Social Diagnosis developed in 2004, the framework revealed the three strategic axes or intervention priorities that guided the strategic planning and operationalization of activities in the network. The axes were:

- Partnerships and Local Development: Weak competitiveness of the institutions; Weak partnership dynamics; and Absence of a system of integrated service (to attend users of the social services);
- Aging: Economic precariousness; Bad housing conditions; Functional dependency; Rupture of family and social links; No fixation of the young population in the municipality; and Absence of healthy life styles;
- Vulnerable Groups: Economic precariousness; Difficulty accessing housing; Unemployment; Low education; Infant mortality; Teen motherhood; Illegal immigrants; Difficulty accessing information; Victims of domestic violence; and Youth in risk.

If we revisit the network of problems at the municipal level presented earlier, many of those relationships and interdependences were also present in these strategic response axes. These axes were the strategic focus of the partners at the municipal level as depicted in the Social Development Plan, and partners at the parish level defined the Annual Plan for the local network based on these axes. Hence, the cascade approach underlying the *Rede Social* program would ultimately affect the ways and means by

which the network and the network actors pursue their missions, reducing strategic complexity and providing an answer to social problems in a coordinated way.

5.4.1.4. *Operational complexity*

Networks seemed to play an important role in the way TSOs operated to address problems. The data suggests four main types of coordination, both within and outside the structured network, carried out to address the problems faced in the municipality: a) coordination of partners within the *Rede Social Amadora*; b) coordination with public and nonprofit organizations outside the *Rede Social Amadora*; c) coordination with companies and d) coordination with the community. This coordination was expected to reduce operational complexity.

First, the coordination among the partners within *Rede Social Amadora* appeared to be crucial. The increasing awareness of the importance of the collective approach by the partners was recurrent in their meetings, as well as in the interviews. Partners provided several specific examples of projects, activities, or even solutions to specific problems, which had required articulation with other partners in the network. This articulation also helped prevent the duplication of efforts, and promoted the rationalization of resources. As noted by a partner “*if there is not a concerted action it looks like we give clothes every day, we give food every day in a disorganized way... today I give, tomorrow you give, tomorrow the other gives and hence there is no concerted action*” (Interview, TSO D).

Second, the coordination between public and nonprofit organizations outside the *Rede Social Amadora* also seemed important. There were often presentations in the plenary sessions by entities and organizations that addressed specific issues such as legislation, certain diseases, or specific targets, for instance. Besides the important information that was shared in such presentations, they were sometimes able to serve as a starting point for further partner connections with those external to the network.

Third, the need to increase coordination with companies was often mentioned; and in fact, it had led to a specific project created under the *Rede Social Amadora* to promote corporate social responsibility initiatives, by facilitating company links with local TSOs. In line with this, it is worth noting that when asked who they would like to see belong to

the network, almost half of the TSOs referred to companies, mainly due to the resources they could provide. The companies, however, despite their positive contact with local TSOs and their interest in supporting these organizations, appeared reluctant to adhere to the ‘Local Council’ (EB, March 2010).

Finally, we found evidence of coordination with the community - not only with the population in general, but also with the users of the services in particular. For instance, the population’s involvement in TSO events and initiatives, and their involvement in responding to surveys, were considered important to the way the network and the organizations within it pursued their mission.

5.4.2. Mission pursuit in a systems approach to strategy

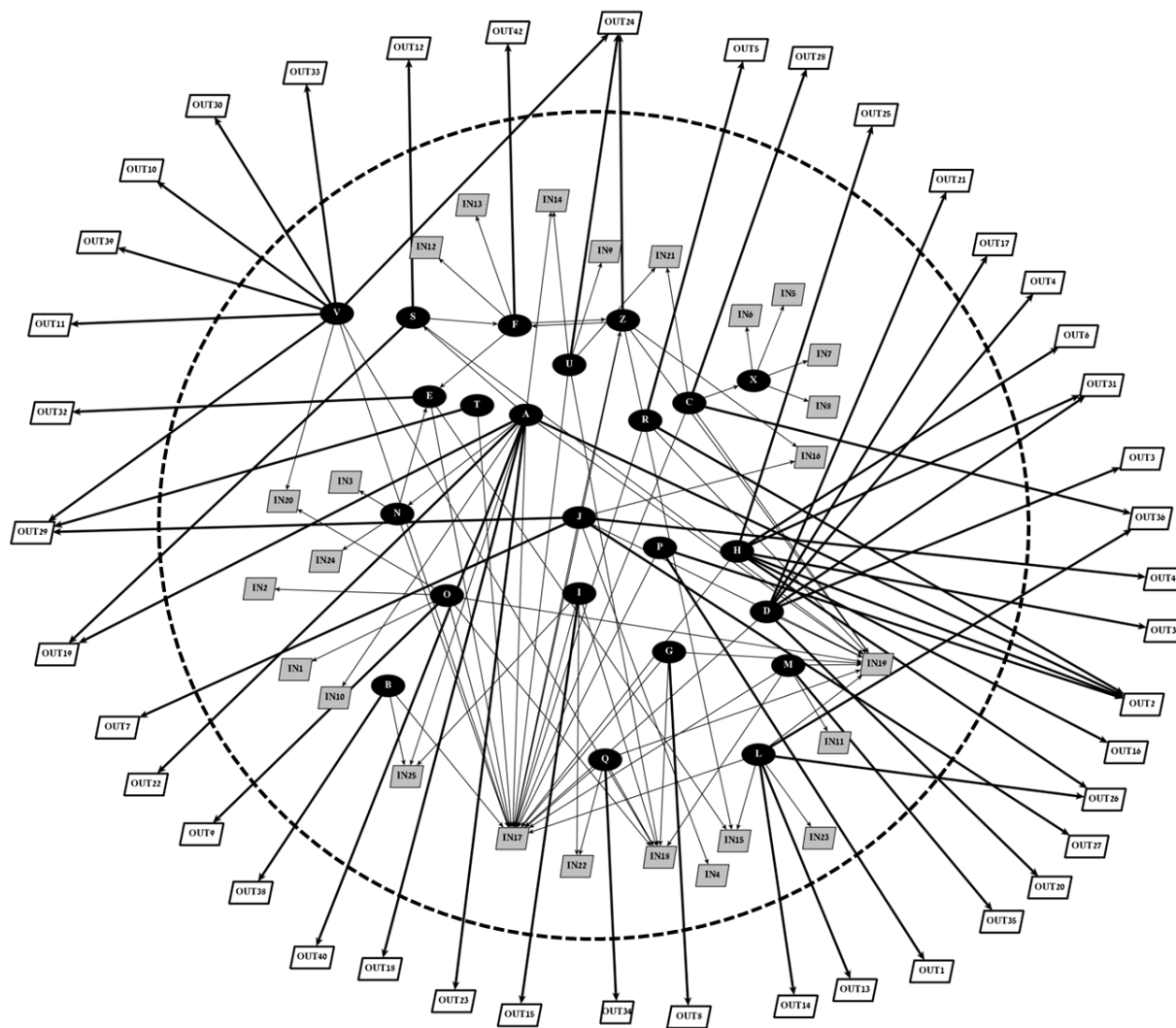
5.4.2.1. The role of interorganizational relationships in the network for mission pursuit

The TSOs were specifically asked to identify the actors most important to them in pursuing their missions. This resulted in a double entry of organizations that referred other actors, and organizations that were referred to by other actors. Figure 5.3 represents the network of cross references.

Figure 5.3 shows the interorganizational ties, with the ties symbolized by directed arrows representing the direction of the reference. The dotted circle represents the limits of the *Rede Social Amadora*. Actors referred to with imprecise names, such as companies, schools or unions, were not considered for the analysis, as they would not allow the cross-reference analysis.

From the figure, we can conclude that among the most mission-critical actors mentioned by the twenty-three TSOs, twenty-five were from within the *Rede Social Amadora*, and forty-two did not belong to this specific network.

Figure 5.3 – Cross-references inside and outside the goal-directed network



Among the total of sixty-seven different actors mentioned by the interviewees, the ones mentioned most often belonged to the *Rede Social Amadora*: 1) the local government (IN17 - 20 references), 2) the institute for social security (IN 19 - 12 references); and 3) the institute for employment and professional training (IN18 - 7 references). The local government was specific to the location of *Rede Social Amadora*; while the other two were public institutes with national coverage, but with local branches also represented in the network, and as such, considered as belonging to it.

Among the actors external to the *Rede Social Amadora*, the three most referred ones were: 1) the public institute dealing with immigration and intercultural dialogue (OUT2 - 4 references); 2) a private foundation that supported science and culture (OUT29 - 3 references); and 3) an official institution in the area of protection of children and youth (OUT24 - 3 references). This suggests that in addition to the high importance of actors internal to the network, actors important to the mission of TSOs were also spread outside *Rede Social Amadora*.

When we isolated the cross-references among TSOs alone, we found those interviewed referred to 16 TSOs that belonged to the network (six of which were interviewed). Of these, only four were mentioned by more than one organization, while the other twelve only received a single reference. The interviewees also referred ten more TSOs that were outside *Rede Social Amadora*.

When asked about the reason why these actors were important to their mission pursuit, the motive most often mentioned by the TSOs was related to resources (54 references), such as monetary funds or goods. The second most commonly cited reason, mentioned in half of the cases, was the complementarity of the services provided (27 references). This was followed by motives related to education and training (14 references) and geographical reasons (10 references), such as proximity.

Again, if we isolate the cross-references among TSOs alone, in nine out of sixteen cases, importance to the pursuit of mission was based on complementarity of services, followed by geographical reasons. From the ten TSOs outside the network, eight of them were considered important for the resources they provided to the organizations interviewed. Despite the reduced number of organizations overall, there appears to be clear a pattern in terms of the responses. That is to say, TSOs identified organizations within the network as being important for operational reasons based on providing

complementary services, while TSOs outside the network were mainly important as resources providers.

5.4.2.2. *Enablers and barriers to mission pursuit*

Organizations were asked about the organizational and institutional (or external) enablers and barriers to the fulfilment of the goals that followed from their missions as a way to explore further the factors affecting their mission pursuit.

In terms of *enablers to mission pursuit*, i.e. what organizations perceived as promoting their own pursuit of mission, the most commonly mentioned factors (those mentioned by at least three organizations) were: a) interorganizational relationships, including coordination with partners inside and outside the *Rede Social Amadora*; b) internal resources, including human, financial, or physical resources; c) managerial issues, including the relationship with the Board or coordination within the organization; d) scope of the activities, including the diversity of services, geographical scope and target populations; and f) external legitimacy, i.e. recognition by peers and the population in general. Table 5.2 presents interview quotes, which exemplify these enabling factors.

In terms of interorganizational relationships, there were signs that they facilitated the way TSOs pursued their missions on a day-to-day basis. For instance, one respondent referred to creating “*linkages as much as possible with other institutions (...) that is what allows us to work... better*” (Interview, TSO G). The importance of referrals between organizations was specifically identified:

“it is really this linkage, for instance if we have unemployed mums and we know that there is an institution that prepares CVs and that has its own space to answer to job advertisements and so on, we immediately redirect them there (...) this coordination enhances our work” (Interview, TSO Z)

The improved acquaintance with other partners, and increased awareness of the resources available in the *Rede Social* also seemed to facilitate the coordination of work in the field. As one TSO referred,

“and the knowledge that we also have inside the network of the resources that exist in the town allows us to, when we cannot do it inside the organization with our services inside the organization, we are able to make the linkage with institutions that will fill those gaps that we are not able to attend” (Interview, TSO R).

Interorganizational relationships with public authorities were also highlighted. As an example, *“then all the relationships that we have with the exterior... the good relationship we have with the social security institute, with the Municipality, with the various entities” (Interview, TSO R).*

Several TSOs also referred to human, financial, and physical resources as great internal enablers, particularly in the context of the network. For instance, one partner referred that,

“on the other hand, it is an enabler the fact that we are in this network of partners [Rede Social], isn't it? Because we have a lot of resources at our disposal and we can share and make the best use of them... no doubt, this is a very important factor” (...) (Interview, TSO H).

Table 5.2 – Enablers and exemplifying quotes

ENABLERS		Organizational/ Institutional (external)
INTERORGANIZATIONAL RELATIONSHIPS (including coordination with partners inside or outside <i>Rede Social Amadora</i>)		I
Examples of quotes	Interview, TSO Z: <i>“it is really this linkage, for instance if we have unemployed mums and we know that there is an institution that prepares CVs and that has its own space to answer to job advertisements and so on, we immediately redirect them there (...) this coordination enhances our work”</i>	
	Interview, TSO G: <i>“and linkages as much as possible with other institutions (...) that is what allows us to work... better”</i>	
	Interview, TSO H: <i>“on the other hand it is an enabler the fact that we are in this network of partners [Rede Social], isn't it? Because we have a lot of resources at our disposal and we can share and make the best use of them... no doubt, this is a very important factor” (...) we also have a great ease in communicating with the partners, which shortens some time in some bureaucracies and that is very important.. we believe that it is one of the major enabler we have”</i>	
	Interview, TSO I: <i>“Naturally we have a good relationship with all the institutions, both public and private... it is an enabler let's say... I am talking about the parishes, Municipality, police, banks, the local employment centre, well... having a good relationship with them naturally makes things easier”</i>	
	Interview, TSO N: <i>“the activities proposed by other organizations where we can on the one hand include our students, and on the other hand participate as technicians to receive training, to share knowledge... plus... the partnerships that we establish, the collaboration protocols... with other institutions in education, with companies where we position our finalist students, or our internships (...) that sharing among the organizations”</i>	
	Interview, TSO R: <i>“then all the relationship that we have with the exterior... the good relationship we have with the social security, with the Municipality, with the various entities... and the knowledge that we also have inside the network of the resources that exist in the town allows us to, when we cannot do it inside the organization with our services inside the organization, we are able to make the linkage with institutions that will fill those gaps that we are not able to attend”</i>	
INTERNAL RESOURCES (including human, financial and physical resources)		O

Examples of quotes	<p>Interview, TSO D: <i>“From the point of view of the organization, the enablers have been in the last years the significant increase in human resources with technicians with a degree, we have about 30% of people with a degree, so this is a way has been an enabler of the qualification, the better services, guaranteeing the professionalism, no doubt..”</i></p> <p>Interview TSO A: <i>Internally, I think that here the Rede Social has good technicians, and that the association has very... very good technicians.”</i></p> <p>Interview TSO E: <i>“The people... we are here thinking about things that are not possible without the people... as those people are the staff, the associates, the friends, the volunteers with whom we can always count on... the users as well (...) we work with and to the people”</i></p> <p>Interview, TSO V: <i>“Funding is an enabler because it exists, because people, that is to say... it is impossible to do what we do if there was no money, and we reduce our costs to the possible minimum, and we have a lot of support that allow us to do it and this is good.”</i></p> <p>Interview, TSO P: <i>“The associates... we have associates that pay theirs fees, they also support, it helps a lot (...)</i></p> <p>Interview, TSO G: <i>“Even the ceding of the space... this space is ceded by the municipality... it is a great enabler”</i></p>	
	MANAGERIAL ISSUES (including the relationship with the Board and coordination within the organization)	O
Examples of quotes	<p>Interview, TSO Z: <i>“I think the proximity we have with... the type of relationship we have with the superiors is an enabler of our interventions</i></p> <p>Interview, TSO L: <i>“I think that the board that we have nowadays is very open to the ideas of the technicians and to the projects intended to achieve our mission... It is an open Board”</i></p> <p>Interview, TSO Q: <i>“The fact that we are working in an institution where there is a Board with a lot of openness,... let’s say always alert to what is going on”</i></p> <p>Interview, TSO Z: <i>“The coordination among the various services, I think this enables a lot... because we work as a whole and we do not think that it is only the service A, B ...”</i></p> <p>Interview, TSO D: <i>“In organizational terms, the communication always appears as a facilitator in the organizational growth, and we have in fact... in our structure... to have in our organization chart forms to make the information get to every levels in a transversal way” (...) there is a concern to keep the constant link among the services (...) and the people responsible for all those services... so that there is at least a meeting with the board every fifteen days”</i></p> <p>Interview TSO M: <i>“This is a very horizontal organization, so decisions are pretty much shared (...) for instance, every time we participate in a transnational project, in other organizations it is the always the director who goes to those projects, or the coordinator, but we always privileged the people that are in the field work, so there a great respect for people and this facilitates a lot our work”</i></p> <p>Interview TSO N: <i>“At the internal level, I can think of... (...) the collaboration among staff, among the various levels, as I say, the school is very big and in order to work... the communication among the various schools”</i></p>	
	SCOPE OF ACTIVITIES (including variety of services, geographical scope and target populations)	O

Examples of quotes	Interview, TSO S: <i>“I think that we embrace a very broad population, because we have no restrictions even if we have priorities of entry [for new admissions], we do not exclude anyone, nor from the town, not for neighbouring towns, so I think this is a positive aspect”</i>
	Interview, TSO R: <i>“I don’t know if this counts, but the diversity of what we can embrace (...) in the organization we can have a diversity of services that, in function of that we can make an integrated follow-up to those people”</i>
	Interview, TSO F: <i>“Organization ‘F’ has grown a lot in the last years, and this can be an enabler (...) it has grown to accommodate the needs of our population”</i>
EXTERNAL LEGITIMACY (including the recognition by peers and population)	
Examples of quotes	I
	Interview, TSO D: <i>“When an entity appears in the market with a quality brand, it is always a facilitator to be seen with other eyes by a company or an entity... and the notoriety is always coupled to credibility, right? (...) ‘D’ is always considered as a reference”</i>
	Interview, TSO A: <i>“I believe that now there is also a recognition by the commission [Rede Social structure at the parish level] (...) we are acknowledged and respected (...) and this is important”</i>
	Interview, TSO R: <i>“enablers... I believe that for ‘R’, the name ‘R’ what it is, its representation in the community, in general terms (...), is an enabler of much of the intervention that we make... of all the intervention that we make...”</i>

Interviewees were also asked to identify *barriers to mission pursuit*. This resulted in twice as much coded text in comparison with the text dealing with enabling factors. Among the factors that inhibited mission pursuit, the most commonly mentioned (i.e., mentioned at least by three organizations) were: 1) internal resources, including financial, physical, or human; 2) macro-level issues, such as bureaucracy and legislation, the financial/economic conjuncture, or the social and educational policy; 3) micro-level issues, such as competition or coordination with the social security institution; and 4) reductions in public support. Figure 5.3 exemplifies quotes that represent these barriers to mission pursuit.

Organizational resources were referred to as the most important constraint to the way the TSOs developed their activities. As mentioned by one of the organizations: *“No doubt, the financial [resources]... they are our big obstacle... whoever has more money does more things....”* (Interview, TSO Z). Another one account highlights the perceived impact of financial constraints, *“What happens a lot is the barriers we often find... above all the financial issues, isn’t it? It inhibits us from developing as many activities as we would like or from reaching the excellence level that we would like...”* (Interview, TSO H).

Physical resources were also considered a barrier to their daily operations, particularly as TSOs become larger. For example: *“Barriers... we have two. The one that represents 90% is the physical space. This is the biggest barrier that we have”* (Interview, TSO P), or *“What we need is more space, because this is getting very small for everything we have... when we came here it looked huge, in fact, but now it is getting small... we need a larger building”* (Interview, TSO L).

Another category of barriers appears at the macro level, including issues such as bureaucracy and legislation, the economic conjuncture, or social and educational policies. One of the TSOs noted that *“because it all depends on the context that... mainly economic, the social area is also linked to the economic part, if we go through a crisis...”* (Interview, TSO O), leaving in the air the impacts of the economic conjuncture in aggravating social problems and causing more constraints to organizational activities. This could be related not only to the increasing number of

people relying on the support by these TSOs, but also to the financial constraints that come from reductions in the pool of funding resources from public and private sources.

Finally, it is also worth highlight the perception of competition as a barrier to mission pursuit. The same TSO that commented above on the economic crisis, touched on a sensitive issue relating to the reduced pool of resources: *“Then it is also the competition. People do not think there is competition, but in the end there is competition (...)”* (Interview, TSO O). Furthermore, this competition was not only with other TSOs, but also with public sector institutions providing similar services.

To a much less extent than other barriers, another source of friction identified in the data referred to the relationships with the social security authority. As noted by one of them,

“Unfortunately, the competent entity [the social security institute] is in many cases a barrier, because we are facilitating a job that, in fact is mainly from the State, or it should be... that depends on the perspective and politics of each person. (...) Often the competent entity is the big barrier for us to solve the problems of people, because they ask for this, and that, (...) and things that are often not fundamental for the answer to be provided” (Interview, TSO J).

Nevertheless, there were signs that things were getting better, as new protocols were being put in place to facilitate processes:

“Another barrier is... not so much now because we have this protocol, but before when we did not have, the follow-up of the families was not done, and because... most of the financial resources where in the social security, we could not coordinate with the colleagues [at social security], because the colleagues have 500 cases and they do not follow up people...” (Interview, TSO M).

The fact that most of the enablers were related to internal factors, while the barriers mostly referred to external factors can be regarded as a self-serving bias. Such biases are “judgments or interpretations of oneself, one’s behavior, and the behavior of others in ways that are favorable to the self, without requiring that such judgments be accurate according to some objective standard” (Blaine & Crocker, 1993, p. 55). However, for

the purpose of this study, because subjective perceptions, in contrast to objective measures, are valued, this is not a concern.

Table 5.3 – Barriers and exemplifying quotes

BARRIERS		Organizational/ Institutional (external)
INTERNAL RESOURCES (including financial, physical, or human)		O
Examples of quotes	Interview, TSO Z: <i>“No doubt, the financial [resources] ... they are our big obstacle... whoever has more money does more things....”</i>	
	Interview, TSO H: <i>“What happens a lot is the barriers we often find...above all the financial issues, isn’t it? It inhibits us from developing as many activities as we would like or from reaching the excellence level that we would like...”</i>	
	Interview, TSO V: <i>“The financial issue is one of the most critical factors here, and now it is even more complicated”</i>	
	Interview, TSO Z: <i>“Internally... also the space... sometimes we lack space for instance when we work with older people, or we work with mothers... we have this space but is it small”</i>	
	Interview, TSO L: <i>“What we need is more space, because this is getting very small for everything we have... when we came here it looked huge, in fact, but now it is getting small; we need a larger building”</i>	
	Interview, TSO P: <i>“Barriers... we have two. The one that represents 90% is the physical space. This is the biggest barrier that we have”</i>	
	Interview, TSO D: <i>“So, despite our effort to keep... to keep a good level of human resources, it is always difficult, i.e., there is turnover... there is turnover in those areas that are more critical, such as the nursing house (...) even if we are improving in the last years...”</i>	
Interview, TSO G: <i>“For instance, we cannot afford to have a full time technician... the social worker is not here full time... not is the psychologist”</i>		
MACRO LEVEL (including bureaucracy and legislation, financial/economic conjuncture, or social and educational policies)		I
Examples of quotes	Interview, TSO A: <i>“Because... we ask for funds, for instance, to A, B, C, D and all of them ask for sheets and sheets, and reports and reports...”</i>	
	Interview, TSO B: <i>“We have problems with the licencing that take several year to deal with... we have big problems... and we have some parts of the legislation that makes it more difficult... those are the barriers we have...”</i>	
	Interview, TSO N: <i>“Other barriers... the lack of employment that we face and this setting that we live in of crises and demotivation (...)”</i>	
	Interview, TSO M: <i>“One of the institutional barriers (...) is the unemployment that we are facing nowadays, that makes thinks even more complicated for people”</i>	
	Interview, TSO O: <i>“Because it all depends on the context that... mainly economic, the social area is also linked to the economic part, if we go through a crisis...”</i>	
	Interview, TSO R: <i>“Everything depends on several policies at the national level, isn’t it? Everything is determined from there...”</i>	
Interview, TSO L: <i>“The Ministry of Education, with the new policies of inclusion in schools... I believe that it is not beneficial for the kids with disability that are left in the schools, that have to go to the schools that do not have as much support... as the State says it has... those supports that supposedly they should have in school, isn’t it? (...) and if this process continues, the educational area in these institutions will end...”</i>		

MICRO LEVEL ISSUES (including competition, or coordination with the social security institute)		I
Examples of quotes	Interview, TSO D: <i>“that is a problem (...) when the organizations, even in the same municipality, working in the same area (...) there is a tendency to create competition, not in the good sense... competition in the bad sense (...)”</i>	
	Interview, TSO O: <i>“Then it is also the competition. People do not think there is competition, but in the end there is competition (...)”</i>	
	Interview, TSO N: <i>“the competition with public schools (...)”</i>	
	Interview, TSO J: <i>“Unfortunately, the competent entity [the social security institute] is in many cases a barrier, because we are facilitating a job that, in fact is mainly from the state, or it should be... that depends on the perspective and politics of each person. (...) Often the competent entity is the big barrier for us to solve the problems of people, because they ask for this, and that, (...) and things that are often not fundamental for the answer to be provided”</i>	
	Interview, TSO M: <i>“Another barrier is... not so much now because we have this protocol, but before when we did not have, the follow-up of the families was not done, and because... most of the financial resources where in the social security, we could not coordinate with the colleagues [at social security], because the colleagues have 500 cases and they do not follow up people...”</i>	
	Interview, TSO Z: <i>“And sometimes they [social security workers] have so many cases in front of them that there is no answer (...)”</i>	
REDUCTION IN PUBLIC SUPPORT		I
Examples of quotes	Interview, TSO D: <i>“At the institutional level, the fact that at the moment concern us enormously, and that can be a constraint in the immediate future is in fact the absence... or the cuts on the subsidies from social security... so this is the big ghost that starts to show up for social organizations (...)”</i>	
	Interview, TSO H: <i>“and we believe that maybe the third sector institutions are so important in this phase (...) they can have their situation very much complicated, isn't it? They can see their support being reduced...”</i>	
	Interview, TSO J: <i>“So, we have to come up with this to self-fund ourselves, the State shirks... and it go on cutting more and more and at a certain point it is not possible...”</i>	

5.4.2.3. *Enablers and barriers to mission pursuit and the network of relationships*

The last research question related to the way enablers and barriers relate to the networks of relationships; both networks of an emergent nature and the goal-directed network *Rede Social Amadora*.

The findings showed that the most often identified enablers were interorganizational relationships, and internal resources; while the most commonly cited barriers were related to resources and macro level issues. And as explored above, the availability of resources (or lack thereof) played a strong, determinant role in mission pursuit. Resources were often identified by the same TSOs as both enablers (when they were available to support the mission pursuit) and barriers (when those resources were scarce). As one interviewee referred,

“[Financial resources] this is an enabler factor and a barrier at the same time... I think that the funding..., the agreements with the social security and with other projects such as the national institute for rehabilitation are enablers (...) they help us to provide an answer and intervene in the field... because if we did not have the funds, we would not be able to have the technicians, would not be able to have an adapted van, would not be able to have the people, the resources... and this helps our mission” (Interview, TSO G).

But, as the interview continued,

“funding is good because it allows us to do the work, but it can also be too little (...) for instance we are not able to have a full time technician... the social assistant is here not full time, nor is the psychologist (...) we have no resources for that. (Interview, TSO G).

This may explain the fact that, when asked about whom would they bring to the *Rede Social Amadora* network, the most common answer was companies, motivated by the view that their participation would provide more resources for the TSOs in the network.

The findings on the role of interorganizational relationships in the network in terms of mission pursuit also showed that in addition to internal actors, actors important to the mission of TSOs were also spread outside the *Rede Social Amadora*. Moreover, the cited reason most often to consider these actors as critical was resource related. Two

questions can thus be raised: a) can the enablers be found in the *Rede Social Amadora* and other TSOs' networks of relationships?; and b) can the barriers be reduced by belonging to the *Rede Social Amadora* or other TSOs' networks of relationships?

On the one hand, our findings suggest that the enablers can indeed be found within networks. For instance:

“then we can always count on the other organizations... we are permanently in contact with other organizations, other NGOs from the city... either because we have users in common, or because there is a service that we do not have but they do, and vice-versa. The ‘E’ is asked by other organizations to make several interventions, namely in the area of training (...), awareness campaigns that other organizations may feel the need for, they have our support and we are always happy to collaborate (...) there is a constant and much needed sharing among ‘E’, the Municipality, other NGOs, parishes... there is a good coordination” (Interview, TSO E).

And:

“then here the partnerships are essential because having a... systemic approach (...) it is impossible to answer all the needs of the kids and their families alone, in an isolated manner... so here the partnerships are essential(...) the partnerships are enablers... it is one of the added values that we have” (Interview, TSO V)

Increasingly, the TSOs seemed to be coming together, to cooperate, and work consistently, in order to accomplish their overlapping missions in the context of problem complexity within which they had to operate.

In terms of the barriers, belonging to a network seemed to partially reduce them. By belonging to the *Rede Social Amadora*, for instance, TSOs were able to be closer to many of the actors that were considered critical in terms of resource availability, such as the Municipality or the local social security entity.

Other micro-level issues restrained TSOs from pursuing their missions, however, and these include not only the difficulty of coordinating their needs and concerns with the

social security organization, but also the competition between TSOs for funding and resources. Indeed, there were multiple competitive relations in the system, resulting from the fact that it contained many TSOs, but limited sources of resources – whether funds, physical spaces, or volunteers. The *Rede Social Amadora* thus combined both co-operative and competitive relationships within it. A final issue is the fact that many of the barriers that were identified were of a macro-level nature, which made them more difficult for a TSO or even the *Rede Social Amadora* to influence.

5.5. DISCUSSION

The findings presented here point to a high level of environmental interconnectedness, as well as to institutional, social, strategic, and operational complexities. These were detected in multiple ways. First, in the links between the TSOs and *Rede Social Amadora* and European, national, regional, and local policies; as well as in legislation that affected the way the network and the organizations acted. Second, the changes in institutional logics in terms of the way organizations should perceive social intervention. Third, in terms of the interrelationships among the problems (i.e. the problem complexity) faced by the *Rede Social Amadora* and its constituent TSOs. Finally, in the way strategic and operational complexities were reduced by the coordination in the interorganizational network.

It is particularly interesting to compare the network of problems, and how they are intertwined in the discourse of the Social Diagnoses, with the network of actors identified in the interviews as being important for mission pursuit of the TSOs. For instance, in terms of social complexity we have detected that among the problems perceived to be most interconnected were: i) *population targets*, such as elderly people and the groups in vulnerable situation; and ii) *issues*, such as a lack or insufficiency of social services and facilities, privation and low income, criminality and security, education, employment and unemployment, professional training, and health. Some of these links among problems matched the relationships considered most important. For example, one of the problems most often related to other problems was unemployment and professional training; and one of the most cited actors was the national entity that addresses this problem, which was represented in the *Rede Social Amadora*.

The existence of institutional and problem complexity seemed to be a driving force for the establishment of the interorganizational network, which if well-oiled could permit a reduction in the strategic and operational complexity faced by TSOs. Indeed, one of the major enablers of mission pursuit identified was the existence of interorganizational relationships, both within and outside the *Rede Social Amadora*. On the other hand, resources, while also seen as an important enabler, were simultaneously perceived as a major barrier to mission pursuit. This is related to the fact that resources are limited and TSOs have to work hard, and in competition with other network TSOs, to get them. As such, multiple cooperative, as well as competitive, relations operating simultaneously could be depicted as existing in the network of TSO now formalised through the *Rede Social Amadora*.

Cooperation and competition mechanisms

As noted above, the findings pointed to the co-existence of cooperation and competition mechanisms put in place by TSOs for organizational mission pursuit. This is one of the paradoxes of interorganizational arrangements: that of competition vs. collaboration. As noted by Brown (2015), managers have to consider whether their actions are in the self-interest of the organization (e.g. learning, access to resources, or cost efficiency) or in the interest of the collective (e.g. achieve social impact). This balance between competition and cooperation is crucial. Even if TSOs are able to minimize competitive tendencies (Brown, 2015), they still have to compete for various resources – not only with other TSOs but with the private sector as well (for instance, in the search for public contracts).

Nonprofits compete for resources such as funds, locations, employees, volunteers (Post et al., 2002b); for clients; as well as for public recognition and media attention (La Piana & Hayes, 2005). And in addition to this competition among TSOs, TSOs in Portugal also face increasing competition from the business sector. Data at the national level (GEP/MSESS, 2013) shows a transformation in the panorama of social intervention in the country from 2000-2013, with an 86% increase in the number of for-profit organizations with social facilities. By 2013, these enterprises represented 30% of all organizations with social facilities. In terms of the facilities themselves, between 2000 and 2013, the number of social facilities from private for profit entities increased by 80%, compared to an increase of 29% in the nonprofit social sector. Although these

specific effects are beyond the scope of this chapter, it is clear that these developments have impacted (and will continue to do so) the ways TSOs manage the competition-collaboration paradox.

Competition can have unpredictable effects on the system as a whole. Ultimately, the fact that each individual organization may be trying to solve its “part” of the complex interconnected problem set, while connected and competing with other organizations for resources, can be detrimental to the interests of the problem set as a whole, and to other organizations. The interactions between the actions of organizations can also destabilize the system, even when there is no such intent. The policies and actions of one actor have the potential to impact the policies and actions of other actors, and this can potentially result in a worsening of the situation (chapter two illustrated a good example of an actor’s intervention producing feedback in the system and leading to final a situation which was worse than the initial one, because the larger system of interrelated social problems was not considered). This arises from ‘turbulence’, where the interaction between the actions of actors interact with the stability of the domain itself (Emery & Trist, 1965).

These comments on the cooperation and competition mechanisms put in place by TSOs imply that in the long-run, the co-existence of organizations serving the interests (or mission pursuit) of actors in a given problem-set or domain requires a blend of co-operation and competition. This affects the work of all the actors and the set of actors as a whole, and is central to the work of the *Rede Social Amadora* as a formal network. It implies the need for a form of strategic cooperation that provides for both competition and cooperation.

As organizations compete more intensively with one another for resources, and as their actions begin to interact, these effects need to be better understood and better coordinated, in order for responses to the problems in the problem-set to be found. This is paradoxical – increased competition, especially in the face of turbulence, leads to the need for greater cooperation. That is, the need for a strategic framework, and a commitment to the processes that foster a cooperative approach to the system and its actors.

This is particularly important in the context of the type of problems address by the network TSOs. They have to keep looking for ways to cooperate because they are dependent on resources that are often themselves dependent on cooperation (e.g. funds

and contracts that require cooperation among actors so as to rationalize resources). TSOs thus serve markets where cooperation seems not only appropriate, but also necessary (Brown, 2015). However, it is neither easy nor without costs (Klijn & Koppenjan, 2014).

A response at the other end of the spectrum is strategic denial – operating by choosing to ignore the actions of others, or the effects of one’s own actions on others. Ignorance, although different from denial, leads to the same outcome – a likely sub-optimal performance in terms of the complex problem set as a whole. As noted by Klijn and Koppenjan (2014), go-alone strategies in networks tend to be negative for problem-solving, as they tend to be sub-optimal. In fact, although several TSOs in this study as well as the principles of the *Rede Social* recognized the need for a more holistic view of the problem set, there were still actors that seemed to prefer to dismiss or ignore this perspective.

The systems approach used in this chapter helped understand the interactions between the TSOs and the network in pursuit of their individual organizational missions, in the sense that it provides a *holistic view* of the activities of the network and the actors themselves, as well as the links in the problem-set they face. Problem complexity requires that the strategy of individual TSOs be shaped through some ‘collective’ assessment of the problem-set that makes up the system. Indeed, the policies and actions that operate on parts of the problem-set should be evaluated by other organizational actors; and the search for, and evaluation of new actions should also involve multiple actors.

Based on the theoretical contextualization and data analysis, we propose a model of mission pursuit using a systems approach to strategy as a new style of management of TSOs. This exercise provided a systems perspective on the potential impacts of strategic decisions taken in the context of these problem-sets, not only at the organizational level, but also at the network or system level. In this context, sharing experiences and making use of limited resources in a coordinated way by the multiple actors that address these related issues seems appropriate. But first, organizations need to become aware of the need for that, i.e., they need to make sense of the system together with the other actors – not only TSOs - in the system.

Therefore, the model includes the following intertwined processes that require the cooperation of others in the system:

a) Acknowledging environmental interconnectedness

As noted before, environmental interconnectedness refers to the extent to which environmental factors are interrelated and the density of interorganizational relations among the organizations in the field. This is the first step in making sense of the systems wherein the organizations are embedded.

b) Identifying institutional complexity

Institutional complexity reflects not only to conflicting logics, but also to the fact that network actors come from various institutional backgrounds with different rules. It can also refer to policies set at the various levels that organizations need to be aligned with. Identifying these issues can help understand the complex network of actors and institutional frameworks that surround organizations.

c) Mapping problem complexity

It may not be hard to acknowledge that problems are interrelated, but the extent to which that is the case may be more difficult to define. For instance, as noted before, the problems typically addressed by these TSOs are complex, often due to different perceptions of the nature of the problem and the solutions available to them, rather than due the lack of information. Bringing organizations together to map the various problems they address – in terms of issues and target populations - may be very elucidative of the degree of interdependencies they have.

d) Recognizing strategic complexity

Recognizing the consequences of the fact that each TSO, or actor in the system in general, can autonomously choose its individual strategy is important for making sense of the system. It means understanding that conflicting strategies may develop, which are nevertheless aimed at addressing the same complex problems and consequent responses from other actors. Allowing discussion among organizations about these issues thus seems of great importance. Moreover, it may well lead to the conclusion that there is the need for a higher-level strategy for the system as a whole, with which individual organizations' strategies are then aligned. This can be achieved through a formal platform, such as an interorganizational network (of which *Rede Social* is an example), where strategy planning mechanisms can be put in place to ensure the coordination of strategies and actions.

e) Exploiting operational complexity

Finally, it seems indisputable that when multiple organizations provide multiple services, often to the same target population, this can lead to interlocked operations. Therefore, the idea would be to exploit these operational links for the benefit of the target populations and of the problems being addressed. This is only possible, however, if organizations understand where cooperation and competition start and finish; which in turn is more likely to be accomplished if they make sense of what is happening in the system together.

To conclude, these processes are transversal to a wider conception of a systems approach to strategic management in TSOs (please also refer to chapters 2, 3 and 4). These processes of sense making are intended to provide a better understanding of how each organization's strategy should be crafted considering that it necessarily interacts with other actors' strategies; and that ultimately, their goal as organizations is to pursue their mission and purpose, not any private interest. This, of course, does not preclude the possibility of situations where organizations and individuals see the organization as an end in itself, and as such are motivated to perpetuate the existence of the organization. Still, such motivations are beyond the scope of this dissertation.

5.6. CONCLUSION

The data provides strong evidence of environmental interconnectedness, as well as of the various types of complexity addressed in this chapter, i.e. institutional, social, strategic, and operational complexity.

In order to explore how TSOs pursue their mission in the context of interorganizational relationships, we asked twenty-three TSOs embedded in a structured network, to identify the most critical actors for them to be able to pursue their missions, and why. This enabled us to trace the network of relationships both within and outside of the *Rede Social Amadora* network. Interviewees also elaborated on the enablers and barriers to the pursuit of their missions. One of the major enablers of mission pursuit was the fact that there were interorganizational relationships, both within and outside the *Rede Social Amadora*. Resources, while also an important enabler, were also a major barrier to mission pursuit (when scarce or non-existent). This raised a discussion on the co-

existence of cooperation and competition mechanisms created by the organizations in the system. While some of these organizations appeared to recognize the need for cooperation, and had a holistic and aligned perspective of the whole, others did not. Considering the institutional and problem complexity identified, a lack of awareness of these interlocked operations and strategies might plausibly be ultimately detrimental to the organizations' problem-solving efforts.

These results support the argument for a systems approach to the way organizations and the network are strategically managed and develop their activities. In this chapter, we proposed a model of mission pursuit using a systems approach to strategy. This was composed of four intertwined processes, requiring cooperation among the actors in the system: a) Acknowledging environmental interconnectedness; b) Identifying institutional complexity; c) Mapping problem complexity; d) Recognizing strategic complexity; and e) Exploiting operational complexity. This model intends to contribute to a crucial part of the system approach to strategy in TSOs, which is making sense of the system itself, before (ideally) any strategy is defined.

The main limitation of the present study is that fact that it is restricted to a specific context. Even if the number of cases is large, they are confined to a specific context. Replication studies would be important to further explore the arguments presented here.

This chapter intends to contribute to the literature on strategic management in TSOs in general, and to a systems approach to strategic management in TSOs in particular. In managerial terms, this chapter aims to bring new insights to the way mission is pursued by TSOs in the context of multiple sets of interorganizational relationships and interdependences in the problems they address.

Appendix 5.A – Interview guides with members of *Rede Social Amadora*

Please consider all the organization's network of relationship:

1. This organization is working in this __X__ field, in the Amadora Municipality. Of all the organizations (NFP, Public, For-profit) that you know, which are the most critical to the performance of the goals that follow from this organization's mission? Please name up to 7 organizations and explain why.
2. Of all the organizations you know, which are those that you would consider most important to be part of *Rede Social Amadora*, if you could choose? Why?
3. The performance of this organization does not depend only on itself. Which are the:
 - a. organizational and institutional (external) *enablers* to the performance of goals that follow from your mission?
 - b. organizational and institutional (external) *barriers* to the performance of goals that follow from your mission?

Appendix 5.B – Participant consent form and information

Participant Consent Form

_____ understand that I am involved in an interview for the research on networks of relationships in the context of third sector organizations.

My participation is voluntary and I agree that my comments are audio recorded.

I understand that any comments I make may be included in written material but if that happens my name or identity will not be disclosed.

Finally, I understand that my organization might be identified in the study, but quotes will not be identified by name.

Date: _____

Participant: _____

Researcher: _____

Participant information

Research Project:

Networks and Strategy in Third Sector Organizations

1) What is the objective of this research project?

The objective of this project is to investigate the dynamics between strategic and operational network, as well as the impact of the network of relationships in the strategic management of third sector organizations.

2) Who is developing this project?

This project is being developed by Ana Simaens, and it will be the basis for her PhD thesis at the Tilburg University, Netherlands.

3) What is my participation in the project?

Your participation consists of a semis-structured interview, which will be audio record in order to develop a more rigorous qualitative analysis of the data.

4) How long does my participation take?

Your participation should take about one hour.

5) Can I withdraw from the study?

Since it is a voluntary participation, you can withdraw from the study at any point in time until its conclusion.

6) Are my identity or the organization's identity going to be revealed?

No personal information will be provided in the reports. Only the organization might be identified, but quotes will not be identified by name.

7) Which are the benefits of the study for me or the organization?

Being an academic research, it is expected results will equally bring benefits to the individuals and the organizations, in terms of the better understanding of the impact of the network of relationships on the strategic management of the third sector organizations.

8) How and when will the results of this project be known?

The results of the project will be made public in the final report of the PhD thesis. Meanwhile, parts of the study may be published in academic journals and presented in academic conferences.

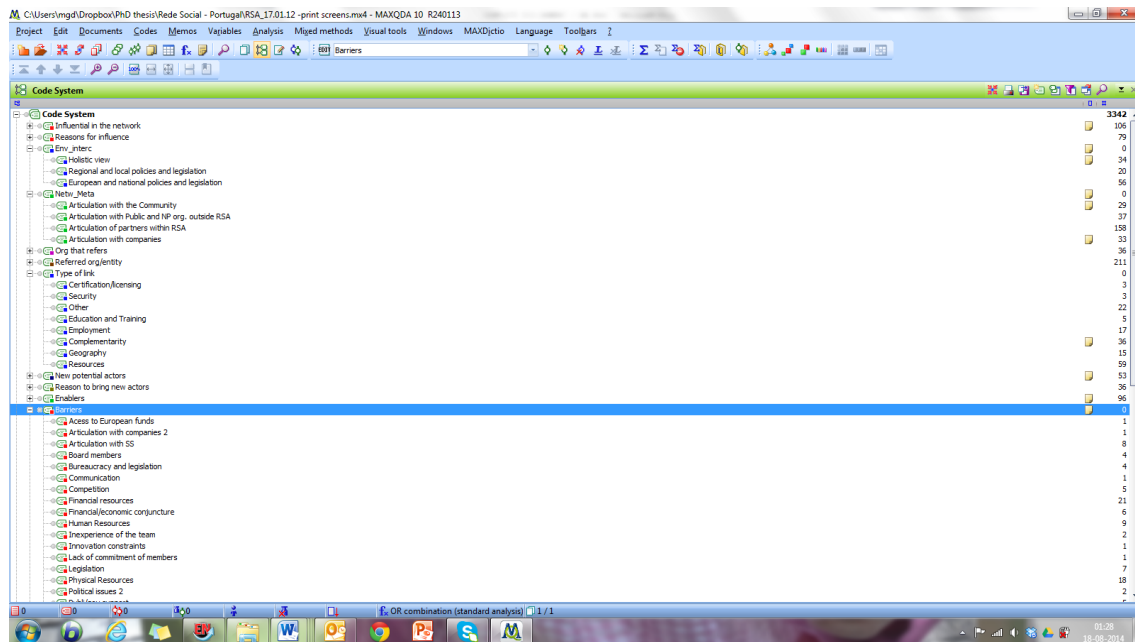
9) With whom should I talk to if I need more information?

In case you require any more information, please contact directly Ana Simaens, at the e-mail xxx or the mobile phone xxxx.

Appendix 5.C – Coding schemes

Interview question	Code	Nickname	Description	Reference
	<i>Influence</i>			
1	Perceived Influence	Perc_infl	Influence/impact perceived by the actors interviewed – capacity to have an effect on what you are doing	(adapted from Provan et al., 2007)
	Organization – Organization	P_O_O	Impact of individual organizations on other organizations	(adapted from Provan et al., 2007)
1/2	Attributed Influence	Attr_infl	Actors in the network identified by the focal organization as being influential	(adapted from Boje & Whetten, 1981)
	<i>Institutional/ External factors</i>			
3a	Enablers		Institutional or external factors that act as enablers to mission pursuit	
3a	Barriers		Institutional or external factors that act as constraints to mission pursuit	
	<i>Organizational factors</i>			
3b	Enablers		Organizational or internal factors that act as enablers to mission pursuit	
3b	Barriers		Organizational or internal factors that act as constraints to mission pursuit	
	<i>Systems approach</i>			
	Role of networks in meta-problems	Netw_Meta	The extent to which the required response is inter- and multi-organizational, since no single organization is able to meet such challenges	(Clarke & Roome, 1995; Roome, 2001; Trist, 1983)
	Environmental Interconnectedness	Env_interc	The extent to which environmental factors are interrelated and density of interorganizational relations among occupants of an organizational field	(based on Emery & Trist, 1965; Oliver, 1991; Pfeffer & Salancik, 2003)

Appendix 5.D – Structure of the coding system during the data analysis – excerpt of code system from Maxqda



6. GENERAL CONCLUSIONS

"Solutions that merely shift problems from one part of a system to another often go undetected because, unlike the rug merchant, those who "solved" the first problem are different from those who inherit the new problem"

(Senge, 2006, p. 58)

6.1. CONCLUDING REMARKS

In order to present the concluding remarks, it is useful to recall the overall research question defined at the start of this dissertation: *“What are the implications of an interorganizational network response to complexity, for organizational and interorganizational strategies that involve TSOs?”* The intention here is not to repeat the conclusions of each individual chapter, but rather to present an overarching discussion that crosses and brings together the themes presented in each one.

The research presented explored responses to the multiple types of complexity currently facing TSOs: problem, institutional, strategic, and operational. Interorganizational arrangements were then explored as responses to problem complexity (e.g. Roome, 2001; Trist, 1983) and institutional complexity (e.g. Greenwood et al., 2011; Ingram & Simons, 1995; Oliver, 1991; Provan et al., 2004) in particular. The empirical studies presented in turn showed how TSOs in Portugal have been dealing with those multiple sources of complexity, and their impact on organizational and interorganizational strategies involving TSOs.

Chapters three to five identified multiple implications for organizational and interorganizational strategies, arising from responses to complexity that involved the establishment of networked structures. Based on the theoretical discussion in chapter two and on the evidence collected throughout the empirical studies, we were able to conclude on the usefulness and adequacy of a systems approach to strategic management in TSOs, particularly operating in the social arena, *vis a vis* other more traditional approaches.

The main differences between a systems approach and traditional approaches to strategy are shown diagrammatically in the model depicted in Figure 6.1. This combines much

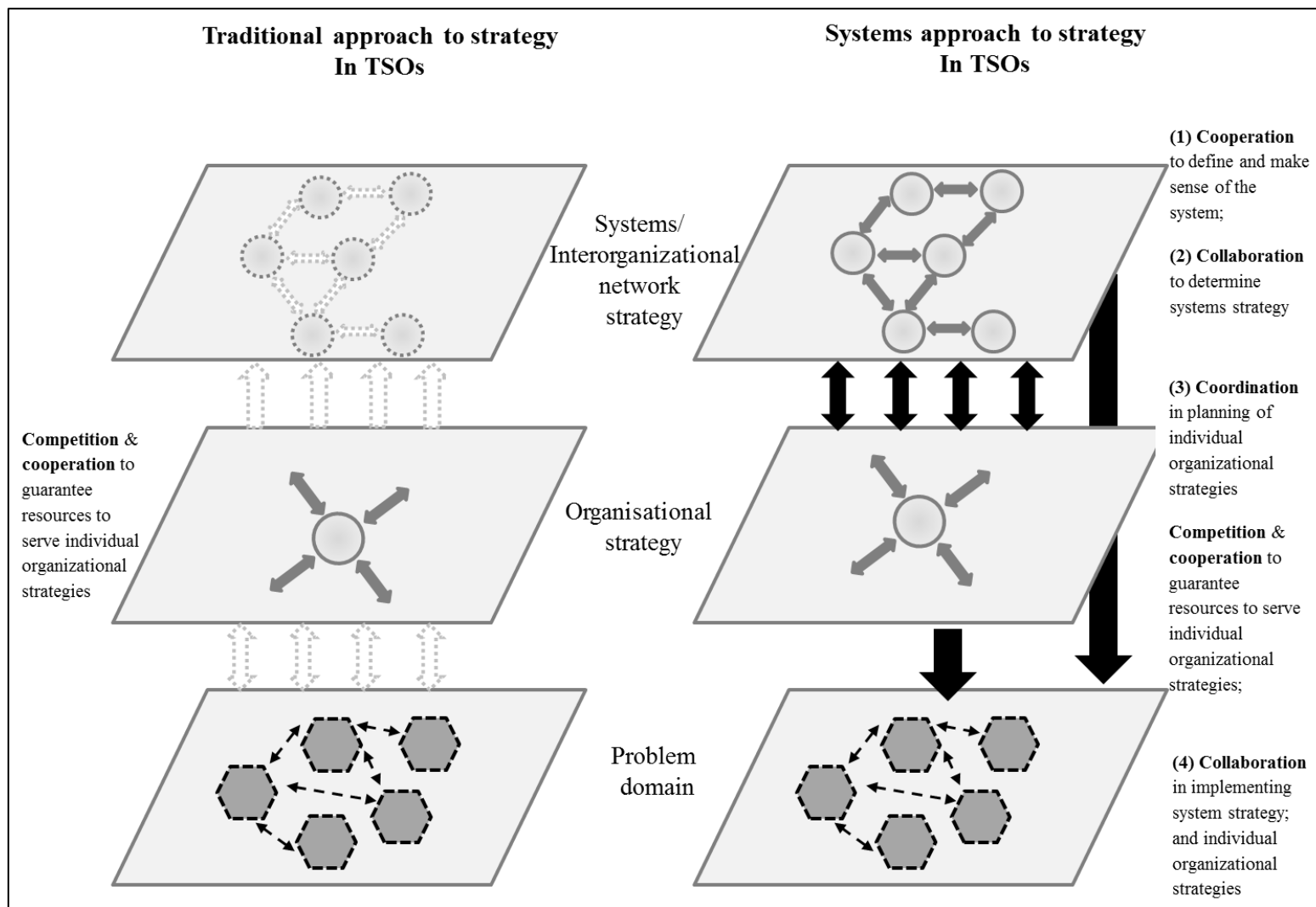
of what was explored and discovered in the empirical studies. Traditional approaches are on the left side of the model, while the systems approach is shown on the right side. The figure also depicts three levels: i) the problem domain; ii) the organizational level of the TSOs and other organizational actors in the network; and iii) system level, defined by the activities of interacting TSOs and the problem domain they face. In this dissertation, the system was generally the interorganizational network.

Traditional strategy begins and ends from the vantage point of an individual TSO, and refers to ways of addressing individual problem areas through the acquisition of resources. The TSO considers how it can deliver its mission with regard to the problems found in the problem domain. It takes account of the internal and external resources available to it, considers competition with other TSOs for resources, and identifies the potential for collaborative actions with other TSOs where this creates benefits for itself and its clients, in terms of the resources acquired and required. In this way, traditional strategy making focuses on the middle and lower levels of Figure 6.1.

By comparison, the systems approach looks at TSO strategy within a framework of cooperation between TSOs and other actors to define and make sense of the system, which leads to a collaborative strategy for the system, within which individual TSO strategies are nested and with which they should be aligned. This approach suggests that a TSO should formulate and then implement its strategy in ways that do not separate it from the system in which it (and other TSOs) operate. This recognizes that the system is partly created and enacted through relationships between TSOs, other organizations, and their clients – and through their strategies and actions.

The use of a systems approach allowed an analysis of the multi-level and cross level interactions within a system (in this case the interorganizational network); those among the parts of the system (the TSOs and other actors in the field), and of the system with its environment (e.g. the problem domain). The model presented above results from evidence from the empirical studies, and unveils the importance of (1) *cooperation to define and make sense of the system*; (2) *collaboration to determine the system strategy*; (3) *coordination in planning individual organizational strategies*; and (4) *collaboration in implementing the system strategy and individual organizational strategies*. Naturally, traditional *competition and cooperation* dynamics also need to be acknowledged, as a background to all of the above described relationships; and particularly in what pertains the attainment of resources to serve individual organizational strategies.

Figure 6.1– Modelling the relationship between problem-domain, organizational strategy and systems strategy



The first item in the model is *cooperation to define and make sense of the system*, which as discussed in chapters four and five, can be delimited at a geographical level. Based on the theoretical discussion in chapter two and the empirical evidence from chapters four and five, this would appear to be a crucial step in attempting to address problem complexity. Furthermore, for the TSOs that are formally and informally involved in networks of actors working to address sets of interconnected problems, this sense making seems determinant for a better understanding of how their strategies should be crafted, given that they will interact with other actors' strategies. In a recent paper, Klijn and Koppenjan (2014, p. 65) drew attention to the fact that, although a variety of perceptions – or cognitive variety – is important for progress, when addressing substantive complexity through networks of actors it is “the absence of a joint frame of reference and a mutual understanding that causes stagnations and deadlocks”. This is in line with what has been explored in this dissertation, and reinforces the relevance of joint sense making, particularly in the context of TSOs, where such research is more limited.

More than a decade ago, while revisiting the literature on public network management, Agranoff and McGuire (2001, p. 318) posed two related questions “do networks discover processes and solutions that would not have emerged from work through a single organization?” and “are networks *required* for achieving results in particular problem areas?”. Based on the problem change thesis, i.e. that the problems addressed by society are increasingly wicked, Agranoff and McGuire (2001, p. 318) provided a partial answer to these questions by referring that “for wicked problems, agreement is forged by jointly steering courses of action and delivering policy outputs that are consistent with the multiplicity of societal interests”; and that networks have emerged to do just that.

In fact, as presented in chapter two, the reality faced by TSOs today resembles the complexity and dilemmas faced by the public sector in the 70s and 80s, which gave rise to an ever-increasing research stream on public network management. Our focus here, however, was on interactions that involve TSOs. Thus, while we acknowledged the extant literature on public sector management that has dealt with networks, we did not attempt to be exhaustive. Instead, with the focus on TSOs, we considered the implications of the networks in which they participate, be they public networks or others.

The empirical studies reported in chapters three and four suggest that the perceived impact of the networks in the strategic management of TSOs often depend on the extent to which their managers *see* the system that surrounds them, and *how* they see the networks wherein they are involved (in line with the ideas defended by Senge (2006)). This can be related to, for instance, the fact that the concept of metaproblems is essentially a social construct. This also means that not all the actors who participate in a system would necessarily recognise it as a system. This can be a basis for them not seeing the challenges that arise at the system level, or they may recognise those challenges but not recognise that responses to them might involve actions at the systems level. In addition, chapter five highlights the importance of acknowledging environmental interconnectedness, identifying institutional complexity, and mapping problem complexity in order to ensure that there is a collective sense of the system. This is not a task for a single organization but has to take place with the input and involvement of many organisations. Failure to do so may put mission pursuit at risk, since many of the enabling factors and barriers to the pursuit of mission by TSOs are related to the networks within which those TSOs are embedded, as shown in chapter five. Interorganizational networks could play a critical role in creating mechanisms at the system level that provide for the governance and management of the system, that also affect the governance and management of individual organisations operating in the system. This would require the active participation of TSOs at the systems level. The planning as well as information and communication mechanisms detected in chapter four are also important. Given that not all partners were able to ‘sense the system’ or ‘sense the importance of the system’, this suggests that other mechanisms might be needed to create TSO participation at this level (e.g. to create higher network embeddedness and sense of identity of the network that would enhance the propensity of partners to come together and explore views of the system as a whole). This could help downplaying the ‘centrality of management’ problem (Roome, 2008, 2012), allowing for a more synoptic view of the problem domain and organizational field.

The second step identified in the model is the need for ***collaboration to determine a systems strategy***. Based on their observations and sense making of the system, the actors within it are then in a position to think about the future and aims of the system as a whole; to then consider how each actor (TSOs in particular) can craft its strategy bearing in mind the interactions with the whole system of actors.

The extent to which building a plan for the system is required may depend on the type of network, however. We can consider, for instance, the four types of networks that build upon each other distinguished by Agranoff (2003, p. 10): 1) *Informational networks*, where “partners come together exclusively to exchange agency policies and programs, technologies and potential solutions. Any actions that might be taken are entirely up to the agencies on a voluntary basis”; 2) *Developmental networks*, where “partner information and technical exchange are combined with education and member service that increases member capacity to implement solutions within home agencies or organizations”; 3) *Outreach networks*, which bring partners together “to exchange information and technologies, sequence programming, exchange resource opportunities, pool client contacts, and enhance access opportunities that lead to new programming avenues”; and 4) *Action networks*, which represent the deepest level of involvement, and wherein partners come together to “make interagency adjustments, formally adopt collaborative courses of action, and/or deliver services along with exchanges of information and technologies”. These types of network reflect a gradually increasing need for planning at the system level – beyond each organization’s planning. While this would be crucial for action networks, it may not be required for informational networks, where it might unnecessarily increase complexity.

Again, this would still depend on how the actors sense the system and whether all the partners in the network attribute the same importance to it. For instance, the EA network presented in chapter three seems to configure a development network, but some might envision a higher level of interaction among the partners. In addition, from the description provided in chapter four, the *Rede Social* network would certainly fall under something between, or combining, an outreach and an action network. However not all the partners within it seem to be conceiving the network as such. For some, it appears to be ‘simply’ regarded as an informational network, where they can get acquainted with what is happening around them; for others, it is seen as a way to improve capabilities, but not much more; while others still perceive the big picture and the need for interorganizational adjustments if network goals are to be achieved and the system changed.

The third step in our model refers to the need to ensure the alignment among the actors in the system, which involves *coordination in planning of individual organizational strategies*. This is achieved by means of coordination among them. We have noted

before that often organizations fail to *see* the system (Senge, 2006) and that this can lead them to underestimate the strategic complexity that surrounds their field of action. As Klijn and Koppenjan (2014) note, actors often adopt “go-alone” strategies, because of a lack of awareness of their mutual interdependencies, or an inability to find common points of interest. Chapter four, in contrast, provides several testimonies of TSO managers in the *Rede Social Amadora* who defended that their strategies needed to be aligned with those defined for the whole network. Nevertheless, there were still partners that did not recognize the need for these adjustments, mainly because they did not clearly sense the system. This need for adjustments and coordination had profound implications for the organizations. They could see, for instance, that their growth strategies would be limited if they were not aligned with the social diagnosis and strategic plan for the municipality.

The last step in the model seeks ***collaboration in implementing the system strategy and individual organizational strategies***. Here “action constitutes the tasks that create or add value or protect the value that has been created” (Roome, 2012, p. 11). In this sense, TSOs act and support the actions of others in the system. Operational complexity often plays a role in this, and the extent to which TSOs are able to exploit that complexity for a better service provision may be crucial for both their mission pursuit and the benefit of the community and the system in which they are embedded (chapter five). Collaboration is fundamental, because when key actors do not interact, or have uncoordinated or conflicting strategies, the networks can become stagnant and gridlocked (Klijn & Koppenjan, 2014).

This issue was particularly explored in chapters three and five. Chapter three revealed the importance of intermediaries in the allocation and coordination of resources that involved a large set of actors in the system – e.g. partners, client institutions, and benefactors, among others. Chapter five provided further insights in this respect, illustrating how many of the actors crucial to mission pursuit were common to various organizations in the network, and part of the network themselves. Moreover, these actors were linked to the factors considered enablers and barriers to mission pursuit by the TSOs in the network.

The cybernetic model (Roome, 2012) supports this model by adding to it the idea that the ways in which organizations in the system respond to the pressures and problems of complexity interact with the way others in the system respond to those same pressures

and problems; which can result in both intended and unintended impacts on those metaproblems and for society in general. These impacts have new feedback loops and bring new pressures to the system, suggesting that a systems approach to strategy in TSOs seems appropriate.

6.2. CONTRIBUTIONS AND IMPLICATIONS

6.2.1. Contributions to the strategic management literature in TSOs

In contrast to much of the strategic management literature on TSOs, this dissertation does not focus on specific techniques or tools, nor does it focus on specific types of strategy used by TSOs. Instead, this dissertation contributes to the strategic management literature of the third sector by exploring the implications for TSO strategy of the interorganizational arrangements these TSOs use to respond to complexity. The conclusion is that these arrangements have multiple impacts on TSO strategies, and that a systems approach to strategy in TSOs is particularly adequate. Although this approach is not new, the contribution of this dissertation rests on a thorough theoretical discussion, followed by empirical evidence of the appropriateness of using a systems approach to strategy formulation by TSOs confronting institutional, problem, strategic, and operational complexity. The model presented above intends to contribute to the literature, by providing a framework of analysis to understand strategy making by TSOs involved in interorganizational networks in a systemic manner.

6.2.2. Managerial implications

The complexity discussed extensively in this dissertation has repercussions for the daily activities of managers in TSOs. The fieldwork revealed that this is an increasing concern for both managers and boards, who, faced with ever more limited resources and growing social needs, are increasingly forced to do more with less. In the context of goal-directed networks, where not all the partners are able to make sense of the system, the managers who do and who recognize the need to cooperate, collaborate, and coordinate actions face particular difficulties in engaging others.

The present dissertation also intends to contribute to practice by:

- a) Providing a theoretical discussion that allows the pertinence and merit of using a systems approach to strategy in managing TSOs to be judged (chapter two);
- b) Providing evidence of multi-level and cross-level interactions between organizations and networks at different level, helping create awareness of the need for a systems approach that might otherwise be ignored (chapters three, four, and five);
- c) Promoting reflection on the need to recognize environmental interconnectedness, the need to coordinate strategies at different levels and the need for organizations to be able to perceive themselves as part of a wider system (chapter four); and
- d) Providing approaches to identify and acknowledge environmental interconnectedness, identify institutional complexity, map problem complexity, recognize strategic complexity, and exploit operational complexity, for the development of strategic planning tools at both the organizational level and the network level (chapter five).

6.3. LIMITATIONS AND FURTHER RESEARCH

Although limitations pertaining to each individual chapter were noted within it, there are limitations across chapters that should also be noted. First, the small number of empirical settings and the explorative nature of the empirical work call for caution in generalizing the findings. In-depth analyses were chosen over breadth, but the need for further empirical studies needs to be acknowledged.

Second, the empirical studies were performed in a single country, Portugal. Although this constitutes a potential limitation, it can also be seen as a contribution, since literature specifically exploring the reality of organizations like the *Rede Social* is still very scarce. In this sense, the current research constitutes a case study with particular and rare characteristics, and as such can be considered of interest in its own right (IESE, 2012a, 2012b). Finally, as the perspective taken in this dissertation mostly centred on the environment of the TSOs, the internal functioning of these organizations was not delved into in much detail.

Future avenues for research may include exploring how partners in networks, such as the *Rede Social* understand and describe the type(s) of interorganizational relationship(s) they are involved in. For instance, Mandell and Steelman (2003) present

a typology of arrangements that ranges from intermittent coordination to network structures. These reveal differences in terms of members' orientations (problem orientation and commitment to goals), their organization (intensity of linkages and breadth of efforts), and in terms of what the organization hopes to accomplish with its interorganizational relationships (complexity of purpose and scope of effort).

Hence, the findings about the fact that not all the partners in the *Rede Social* network recognised the 'system' suggest that the members see the relationships surrounding them in different ways. For instance, some may view problems from a shared perspective, while others see them from an individual perspective. The scope of their efforts can also differ. Some may be committed to fostering systems change – which characterizes a network structure – while other partners may be committed to 'simply' maintaining the status quo. In order to appraise the success of the network, and the extent to which partners see the need for a systems approach to strategy, further exploration of this typology in the context of TSOs involved in networks is required.

Further research can also include a more profound study of network governance forms. Provan and Kenis (2008) distinguished three main forms of network governance: 1) the shared participant-governed network; 2) the lead organization-governed network; and 3) the network governed by an external network administrative organization (NAO). However, the possibility of additional and/or hybrid forms has also been acknowledged (Raab, Mannak, & Cambré, 2013). Our examination of the Portuguese *Rede Social* – in chapters four and five-, confirms the importance of studying network governance as an essential element for networks' functioning and effectiveness. It furthermore identifies a new hybrid organisational form, which seems to successfully integrate elements of each of the three "pure" governance forms. A more detailed analysis of such a network type could enhance our understanding of network governance forms.

A third possible research line relates to accountability in networks, following a the question posed by Agranoff and McGuire (2001): "to whom or what do (should) network players feel responsible?". In line with Mandell (1988, p. 399), the managers of networks that involve public and private sectors are quite autonomous, and accountable "not only to other network members", but to their own organizations as well. This can result in conflict when it comes to allocating resources in the network, for instance, as pinpointed in the conclusions of chapter four.

In addition, it would be interesting to explore the extent to which accountability differs for permanent (or ‘functional’) and temporary (or ‘project’) networks, which can often co-exist. An additional research focus could be the exploration of the strategic management of TSOs from the theoretical lens of integrative thinking. The boundaries among sectors have become ever more blurred in terms of delivering public value in an integrative way, with much better results than any sector could produce alone (Fisher, 2014). However, this requires the individual actors involved in the decision-making to be ‘integrative thinkers’, i.e., to have the capacity to simultaneously hold two opposite ideas, and synthesize them into a solution that is better than any of the initial two ideas (Martin, 2009). From the results in the empirical studies presented here, one might say that some of the organizational representatives interviewed fit this description more than others; and this can influence the way a systems approach to strategy can be applied to TSOs. Hence, an in-depth study at the individual level of analysis could further our understanding of the extent to which managers in TSOs have the capabilities required to develop a more systemic and integrative approach to strategic management in the face of complexity, and how these capabilities might be further strengthened.

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